

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

September 12, 1958

62nd Year, No. 37

Liability Limits Can Be Too High And Too Low; Pose A Real Problem

By KENNETH O. FORCE

This is another group of comments and examples of liability claims which resulted in contribution by insured. Quite a few company executives believe that because of the accordion character of the amounts demanded by claimants for injuries, liability limits can be too high. Others believe that at least for commercial insured, and probably for individual insured who is prudent and who has property, PDL limits both may need to be increased. Here are the reasons from insurers.

* * *

With the modern trend away from immunity from negligence actions of hospitals, hospitals probably are not carrying high enough limits. One hospital carried a top limit of \$50,000 for individuals. A child was being treated in the hospital after an operation, and an extremely hot water bottle was placed between his legs. The resulting

burns were serious and apparently inflicted permanent injuries of a serious nature. The jury verdict was for \$75,000, so that this hospital had to contribute \$25,000 to the settlement. The injuries occurred when the child was two; the suit was brought some years later.

In another case, a woman was burned severely with strong X-ray treatments. The hospital carried \$50,000 liability, the doctor probably has another \$50,000 of coverage, but the case may run to \$150,000.

When are limits high enough? An individual automobile insured with 100/300 limits accidentally struck a truck driver who was at the rear of his truck, and crushed both his legs, which had to be amputated. The settlement was for \$120,000, so that insured put up \$20,000 beyond the coverage.

One large business firm purchased automobile liability for its employees in limits of 100/100/50. One employee

was taking his wife and friends to a restaurant when there was a serious wreck. As insured started to turn on a country road, a car being driven rapidly by four teen-agers swerved, the driver lost control of the car, and it ran into a culvert. One youngster was very seriously injured. The verdict for him alone was for \$150,000. The other teen-agers were not badly injured. The employee's salary has been garnisheed. An interesting development here is that the firm, which carried 25/100 limits in 1949, increased the coverage to \$100,000 in 1955, but lately has purchased \$1 million.

In another instance a contractor had \$100,000 limits, the workman of a subcontractor was injured seriously, and the case was settled for \$110,000. Insured contributed \$10,000.

An employer carried \$10,000 workmen's compensation in a state where workmen have the option of taking

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Program Completed For New Orleans Rally Of NAIA

The program has been completed for the annual convention in New Orleans of National Assn. of Insurance Agents Oct. 6-8. The executive committee will have four days of sessions preceding the opening general session Monday at which Louie E. Woodbury Jr. of Wilmington, N. C., will preside.

On the opening program are Charles Rittenburg of New Orleans, general convention chairman, and Commissioner Rufus Hayes of Louisiana. Mr. Woodbury will recognize past presidents and give his administration report. The highway safety contest awards will be presented by Assn. of Casualty & Surety Companies, and the fire safety contest award by National Board. Mr. Woodbury will recognize association members with citations for achievement.

Territorial Conferences

The opening session is at the Jung hotel. The territorial conferences, which will follow the opening session, will be held: Southern, Eastern, and Rocky Mountain at the Jung, and Midwest and Far West at the Roosevelt. The Monday meeting of National Board of State Directors beginning at 1 p.m. will be held at the Roosevelt, as will the 3 p.m. workshop session on litigious group coverages. Morton V. White of Allentown, Pa., is coordinator of the workshop, with Robert J. Battles of Los Angeles, past NAIA president, and Director Joseph S. Gerber of the Illinois department as participants.

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U. S. Aviation Underwriters Answers O'Mahoney Subcommittee Criticisms

U. S. Aviation Underwriters has submitted a statement to the Senate anti-trust and monopoly subcommittee, which has been, under Sen. O'Mahoney's direction, inquiring into the competitive and rate making practices of aviation insurers.

The statement answers in detail many of the questions asked during the hearings in Washington. It is signed by President Albert J. Smith.

The difficulty of finding capacity to write aviation risks is strongly emphasized. USAU for years has sought to increase its facilities by getting individual members to increase their commitments, by getting in new members, and by buying more reinsurance. In this way it has managed to increase the total capacity of the hull section for any one loss from \$80,000 to \$5,250,000, and the casualty section from \$100,000 to \$10 million, any one loss.

Not Enough To Cover Jets

But this is not enough to meet the demands for coverage on jets.

Thus, the world market is needed. USAU has tried to develop domestic reinsurance facilities but has succeeded only to a small degree and must depend primarily on London.

Competition is international—and tough, according to the statement. London competes directly for American aviation risks and has about 20% of the hull, aircraft liability and manufacturing products liability business in this country. Any regulation of American aviation insurance, USAU states, must recognize the necessity of com-

petition with London. Prior approval of rates by a regulatory authority would ruin American underwriters competitively.

Who Writes Aviation In U. S.

In addition to USAU, currently these companies and groups write in the aviation field—American Casualty, American Fire & Casualty, American International Underwriters, American Mercury, Associated Aviation Underwriters, Balboa, Bankers F&M of Alabama, Bankers Life & Casualty, Continental Casualty, Citizens Casualty, Employers Mutual of Wausau, North America, Kansas City F&M, Liberty Mutual, Mutual Aircraft Conference, Mutual Benefit H&A, National Ins. Underwriters of St. Louis, Ohio Casualty, London Lloyds, and

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Cut In Production Cost Factor Scored At N. J. Meeting

Grannatt New President, Weisbart Chairman; Laud NAIA Commission Primer

By JOHN N. COSGROVE

ATLANTIC CITY—A large attendance of more than 600 and two public relations "firsts" marked the annual convention of New Jersey Assn. of Insurance Agents at Hotel Traymore, Sept. 8-9. Through the efforts of John Edwards of Hackensack, public relations director of the association, Gov. Robert B. Meyner set aside Sept. 9 in honor of the agents' 65th anniversary and paid tribute to their contributions to the state. The other novelty was a pre-convention press conference held by outgoing President Henry A. Franz of Clifton, his successor, Milton H. Grannatt Jr. of Trenton, and Ira F. Weisbart of Jersey City who was elected chairman of the executive committee. Members of the press presented Mr. Edwards with a testimonial for his cooperation.

The primary question at the news conference was the agents' reaction to the action of National Bureau and of National Automobile Underwriters Assn. in reducing the acquisition cost factor from 25% to 20% in future automobile rate filings with consequent reductions in agents' commissions. Mr. Franz said that his group has not taken an official stand on the question as yet. He indicated that more was involved in the production cost than commissions and said that companies could "give a little," specifically in connection with the profit factor. He urged that companies pay an agent for what he actually does and stressed

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L. J. Carey (left), senior vice-president of the Michigan Mutual Liability, the outgoing chairman of the insurance, negligence and compensation law section of American Bar Assn., with George Murphy (center), spokesman for the motion picture industry and principal speaker at the luncheon, and Beale Rollins of Baltimore, the chairman preceding Mr. Murphy.

Minus Signs Fewer In 1958 Midyear Reports

Minus signs do not abound so profusely nor do they precede such terrifying figures in the 1958 midyear reports of the fire and casualty companies as compared with 1957. Results of the first six months, as reported to the California department, are shown in the accompanying tabulations, with the figures rounded off in hundreds of thousands. That is, 3.2 indicates \$3.2 million and .6 indicates \$6 hundred thousand.

Figures for the companies writing \$1 million or more in the first six months are shown below. All statistics reflect the national results of the companies licensed in the state of California.

Company	Prems. Earned	Losses Incurred	Under- writing Gain or Loss	Invest- ment Gain or Loss	Surplus Gain or Loss	6-30-58	12-31-57
Accident & Casualty	\$ 8.8	4.7	— .1	.4	.2	7.7	.6
Aetna Casualty	138.2	75.0	— 3.2	6.1	2.8	165.6	12.5
Aetna Fire	52.8	29.7	— 2.0	2.6	.6	74.4	5.2
Affiliated F. M.	2.5	1.0	— .2	.1	.4	4.2	.4
Agricultural	9.1	5.1	— .3	.6	.2	16.4	.9
Alliance, England	2.6	1.5	— .1	.1	—	4.2	.2
Allied Compensation	1.7	1.6	— .3	—	— .3	.9	— .3
Alstate Fire	20.1	8.4	— .9	.3	.7	11.3	1.4
Alstate	145.8	83.4	— 4.3	6.0	8.1	95.7	18.8
American & Foreign	5.9	3.5	— .3	.3	—	9.5	.3
American Auto	27.7	15.5	— 2.2	1.2	— .8	38.2	.9
American Bankers	3.2	1.3	—	—	—	1.2	.1
American Casualty	18.4	10.0	— .3	.8	.4	19.5	2.4
American Central	4.0	2.4	— .4	.2	—	7.4	.3
American Employers	18.5	9.5	— .6	1.3	.5	18.8	1.0
Amer. Fidelity & Casualty	14.1	9.7	— 1.3	.5	— .7	8.7	—
American Guarantee	4.7	2.5	— .2	.2	—	6.3	.5
Amer. Hardware Mutual	13.7	7.2	— 1.1	.4	1.3	4.1	— .5
American Home	8.7	4.9	— .9	.8	— .1	15.9	— 2
American Indemnity	3.5	1.9	— .1	—	—	4.6	— .4
American, N. J.	51.9	29.2	— 4.1	5.7	1.5	96.2	2.1
American Mfrs. Mut.	5.8	2.4	— .8	.2	.9	4.2	—
American National Fire	2.4	1.4	— .1	.1	—	6.2	.7
American Surety	23.2	12.3	— 2.1	1.1	— .9	20.1	— .3
American Union	1.6	.9	— .1	.1	—	4.5	.2
Anchor Casualty	5.2	2.6	— .2	.1	—	3.5	—
Argonaut	8.3	6.0	— .6	.1	— .4	3.3	— 1.0
Argonaut Unds.	2.0	1.2	— .2	—	— .2	.6	.1
Arkwright Mutual	3.5	1.0	— 1.8	.3	2.1	15.1	— 1.1
Associated Indemnity	6.9	3.8	— .5	.9	.4	10.1	.4
Assurance of America	2.8	1.4	— .4	.1	.5	2.7	.5
Atlantic	1.2	.6	—	—	—	5.8	—
Atlantic Mutual	13.4	7.4	— .1	.8	.9	28.2	1.1
Atlantic National	2.2	1.3	— .2	—	— .2	1.6	.2
Auto Mutual	1.1	.3	— .5	.2	— .7	8.8	1.1
Badger Mutual	2.9	1.7	— .3	.1	— .2	1.8	— .2
Balboa	1.6	.8	—	—	—	2.1	—
Bankers & Shippers	5.0	2.7	— .3	.2	—	9.6	.5
Birmingham F. & C.	1.4	.8	— .2	.2	—	3.0	.1
Birmingham, Pa.	2.2	1.3	— .1	.1	—	3.8	.5
Blackstone Mutual	5.9	1.5	— 3.3	.5	3.8	21.2	.4
Boston	18.9	10.9	— 1.8	2.1	.2	35.4	.6
Boston Mfrs.	7.8	2.0	— 4.6	.9	5.4	26.4	2.4
British Amer.	1.3	.7	—	—	—	3.8	.1
British & Foreign	3.8	2.2	— .2	.2	— .1	6.2	.3
Buffalo	3.7	2.3	— .4	.1	— 3	4.2	.1
California Farm	3.1	1.8	—	—	—	1.3	.4
California Comp. & Fire	4.7	2.6	— .2	.1	— .2	1.9	—
California	2.3	1.4	— .1	.2	—	4.4	.2
Calvert	11.1	7.0	— 1.5	.9	1.5	34.3	2.6
Camden	9.5	5.2	— .5	.5	—	18.3	1.2
Canadian Fire	1.0	.5	—	—	—	1.6	—
Canadian Indemnity	1.0	.5	—	—	—	1.3	— .1
Carolina Casualty	1.3	.8	—	—	—	1.7	— .1
Casualty of Calif.	2.0	1.6	— .4	—	— .3	.7	— .1
Centennial	4.4	2.4	—	.3	.3	6.4	.2
Central Mutual	13.3	5.9	— 1.1	.5	1.5	13.4	.6
Central National	4.4	2.3	— .4	.1	— .2	3.1	—
Central Surety	5.8	3.7	— .7	.3	— .4	7.8	— .5
Century Indemnity	9.6	5.4	— .3	.3	—	10.1	.4
Century	2.5	1.7	— .4	.4	—	7.2	— .3
Christiania General	2.7	1.6	— .3	.1	— .2	2.1	— .2
Civil Serv. Employees	2.4	1.2	— .1	—	— .2	2.2	— .2
Columbia Casualty	5.0	2.3	— .5	.3	—	6.8	.3
Commercial, Texas	1.5	.8	— .3	—	— .1	1.1	.1
Commercial Union	12.6	7.8	— 1.7	.6	— 1.0	13.8	—
Commercial Union, N. Y.	9.5	5.6	— .9	.6	— .1	12.4	.5
Commonwealth	3.3	1.9	— .5	.2	— .3	6.6	—
Connecticut Fire	17.4	10.3	— 1.5	1.6	.1	35.9	2.6
Connecticut Indemnity	4.6	2.8	— .3	.3	—	4.5	—
Consolidated-American	1.5	.8	—	—	—	1.8	—
Continental Casualty	15.9	73.3	— .4	5.0	4.3	157.5	10.7
Continental, N. Y.	33.2	17.8	— 3.1	10.0	6.9	315.5	18.6
Copenhagen Reins.	1.7	1.0	—	.1	.1	2.4	.1
Detroit F. & M.	2.4	1.4	— .1	.3	.1	9.8	.9
Dubuque F. & M.	1.4	.7	—	—	—	2.1	.2
Eagle Fire, N. Y.	2.5	1.4	— .1	.1	—	2.8	1.0
Eagle Star	1.7	1.0	—	—	—	4.1	.1
Electric Mutual Liab.	2.5	1.8	— .1	.1	— .2	2.3	— .3
Emmco	11.1	6.9	— 1.9	.5	1.4	11.4	1.1
Empire State	2.2	1.2	—	—	—	3.6	.1
Employers Casualty	10.6	5.7	— 1.2	.3	1.4	6.7	.4
Employers Fire	8.7	4.6	— .2	.5	.2	10.0	.8
Employers Liability	35.6	18.2	— 1.1	1.9	.7	33.3	.9
Employers Mutual Fire	3.3	1.3	— .6	.1	.7	5.7	.3
Employers Mutual Liab.	50.6	34.4	— 1.4	2.8	3.8	43.1	— .3
Employers Reins.	14.4	6.7	— 1.2	.8	1.3	19.5	2.4
Enterprise	1.5	.9	—	—	—	4	—
Equitable F. & M.	3.4	2.0	— .3	.2	—	13.2	.6
Exchange Cas. & Surety	1.2	.8	— .1	—	— .1	.6	—
Factory Mutual Liab.	9.5	3.3	— 3.1	.5	3.6	23.1	2.8

Company	Prems. Earned	Losses Incurred	Under- writing Gain or Loss	Invest- ment Gain or Loss	Under- writing Gain or Loss	Invest- ment Gain or Loss	Surplus Gain or Loss
							6-30-58 12-31-57
Farmers Home Mutual	—	1.7	.6	.3	—	.3	4.4
Federal	30.0	15.2	1.0	2.4	2.4	94.0	0
Federated Mut. Implement & Hdwr.	14.2	7.7	1.6	3	1.8	5.3	1
Fidelity & Casualty	63.1	41.8	— 11.3	6.5	— 4.7	108.1	40
Fidelity & Deposit	9.8	2.1	1.3	1.0	1.4	42.9	4
Fidelity-Phenix	27.5	14.9	— 3.4	8.3	5.2	294.5	20
Financial Indemnity	1.4	.5	—	—	—	.5	—
Firemen's Fund Indem.	13.3	7.4	— 1.0	1.0	—	19.5	13
Firemen's Fund	59.6	33.2	— 4.8	4.1	— .7	137.1	33
Firemen's, N. J.	42.1	26.2	— 5.8	2.6	— 3.2	79.9	14
Firemen's Mutual	9.1	2.4	4.9	.7	5.5	25.6	23
First National	2.5	1.1	—	—	.2	7.7	1
Founders	3.8	2.4	— .3	—	.1	—	—
General Accident	32.3	18.5	— 2.6	1.8	— .8	50.9	11
General Exchange	62.0	34.5	2.5	2.4	3.2	61.9	8
General of Seattle	46.4	19.9	3.0	2.6	4.8	71.2	12
General, Texas	1.5	.8	—	—	—	2.0	—
General Reins.	21.4	11.1	.9	1.9	2.1	44.7	33
General Security	4.6	3.3	— .4	.4	—	4.5	3
Glens Falls	39.8	21.4	— 1.8	1.8	—	46.0	11
Globe Indemnity	17.8	10.6	— 1.0	1.1	—	42.7	12
Government Employees	18.8	10.0	3.4	.8	2.4	16.8	20
Grain Dealers Mutual	9.1	4.2	.9	.3	1.1	9.6	1
Great American Indem.	23.5	12.9	— 1.6	1.5	— 1	20.7	21
Great American	39.5	22.4	— 2.4	4.6	2.1	154.4	18
Guarantees, L. A.	2.9	1.3	.3	.2	.5	3.5	1
Gulf	9.8	4.6	— 1	.5	.3	18.7	1
Halifax	1.0	.5	— .1	—	—	2.3	—
Hanover	17.6	10.3	— 1.8	1.7	— .2	22.7	13
Harbor	1.2	.6	— .1	.1	—	1.7	1
Hardware Dealers Mut. Fire	9.2	3.6	2.1	.4	2.4	12.3	2
Hardware Mutual Cas.	35.0	20.3	2.4	1.3	3.2	8.6	4
Hartford Accident	108.0	62.6	— 4.9	5.6	.7	126.2	83
Hartford Fire	79.0	43.3	— 3.8	6.6	2.7	297.9	12
Hartford Steam Boiler	10.2	2.6	1.0	.9	1.3	27.5	1
Home F & M	13.3	7.4	— 1.0	1.1	—	27.1	21
Home Indemnity	21.0	13.2	— 3.1	1.4	1.7	— 1	—
Home, N. Y.	93.7	54.5	— 8.7	7.9	— .7	—	14
Home, Hawaii	1.3	.5	— .1	—	.2	4.0	3
Hospital Service, Cal.	17.1	15.8	—	—	—	7.7	—
Hospital Service, So. Cal.	20.8	20.3	— .9	.2	— .6	4.6	—
Houston F & C	4.9	2.4	—	—	—	—	—
Ideal Mutual	1.6	.8	.3	.1	.4	2.7	—
Illinois Fire	1.0	.5	—	—	—	1.8	—
Indem. Insurance N. A.	66.2	40.0	— 8.0	4.6	— 3.3	96.2	6
Ind. Lumbermens Mut.	10.1	5.2	.5	.3	.8	4.8	—
Industrial Indemnity	15.1	8.8	.6	.5	.8	10.1	1
Industrial Mutual	2.9	1.0	— 1.2	2	1.4	9.1	2
Ins. Co. of North America	79.7	45.6	— 2.6	10.2	7.0	433.7	43
Ins. Co. of Pa.	2.9	1.7	— .3	.2	.1		

► Look for this ad in The Saturday Evening Post of September 27th. It is the first in a new series, telling the Industry's story to the public. Producers may obtain permission to use the artwork and text in their own advertising, through the Great American fieldman in their area, or by writing to the company.



WHO'S ON WHOSE BACK?

Every insurance buyer is helping to carry the load inflicted by *the reckless driver...the homeowner who allows hazards to exist on his premises...the person who does not heed storm warnings...the householder who overloads electrical circuits...the juror who allows himself to be swayed by emotional pleas for sympathy*...to name only some of those who cause premiums to rise.

When an insured loss occurs, it must be reflected in the premiums you pay in the future. So, do your part to help prevent claims caused by carelessness. Join the drive to keep insurance costs down by acting *now* to avoid needless loss.



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McMackin Lens Put On Theft Portion Of New Homeowners

By BERNARD P. McMACKIN JR.,
Assistant Editor, F.C.&S. Bulletins

Part Three of a Series

The theft coverage of the new homeowners policy program was, of course, one of the big question marks of its

advent. This was a major point of difference between the comprehensive dwelling and homeowners policy approaches, especially from the point of view of producers. The problem had two features:

1. Mysterious disappearance—the

CDP, the theft cover of which is virtually identical with that of the broad form personal theft policy, includes mysterious disappearance as an insured peril. Homeowners A and B are silent on the point. Hence, strictly, mysterious disappearance has meant no recovery under A or B, with the matter often depending for final settlement upon "agency consideration," the strength of the conjecture and like factors.

The new policy forms are true to their name—homeowners—neither including mysterious disappearance as an insured peril nor expressly excluding it. However, intent is made a lot more clear, at least to the insurance man, by a new rule which makes it possible to purchase "extended theft" coverage by endorsement, mysterious disappearance becoming an insured peril under it and the next exclusion—dealing with property left unattended in a motor vehicle—being deleted. The very existence of "extended theft," which may be used only with the broad homeowners forms—2 and 4—makes it pretty plain that no one intends that a disappearance loss be covered under any of the basic forms, standard or broad.

Rule Eliminates Uncertainty

Manual rules, to be sure, have little to do with an insured. However, this particular one would probably sustain a company's expression of intent in a court fight and, probably more important, it ought to eliminate uncertainty among companies and agents themselves. Plainly, barring some evidence of "an act of stealing" attempted theft, there seems to be little justification for payment, even for "agency consideration."

2. Likewise, the CDP has not bothered with any sort of exclusion of a theft of property left in an unlocked car. Homeowners has, the last (current) version of the exclusion applying to theft of property "left unattended in any private passenger motor vehicle on a public way or in a public garage or public parking lot, unless the loss be the result of forcible entry (of which there must be visible evidence) into a fully enclosed body or compartment (not including a glove compartment), the doors and windows of which have been locked." In the

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Oklahoma Agents Up In Arms Over Cut In Auto Acquisition Cost

Oklahoma Assn. of Insurance Agents in its Sept. 5 "Newsletter" takes violent exception to the automobile filings of National Bureau and National Automobile Underwriter Association which reduce the acquisition cost allowances and attempt to bring about across-the-board reductions in automobile commissions.

"It is unfortunate and almost beyond comprehension that this threat to the agency system could come from the very companies which have prospered so long and so consistently under that system," the agents declare. "Even more ironic is the fact that the decision to pursue this course of action surely has been made by those individuals who have reaped the greatest dividends from the prosperity—namely the high salaried, stockholding top officials.

"Whether or not their motive is to shuck the independent agent in favor of some other method of distribution system can only be subject for conjecture. There can be no doubt, however, as to what the end result would be if such a procedure should be widely accepted. The companies would be in a position to control commissions through their rating bureaus, and the agency contract, the foundation of the whole system, would be a farce. The agencies in which agents have invested years of work as well as money would be tremendously depreciated. The business could no longer attract capable young people. The service of the independent agent would die in the wake of a sweeping change that would make numbers on punch cards of our customers, who after all have been attracted to insuring with us and our companies because of that very service."

Agent Must Speak Up

The "Newsletter" goes on to say that the agents must convey an understanding of the gravity of this situation to public officials, charging that the companies have "attempted to put the agents and the public officials in a position where they would have no choice but to go along. They have tried to create the illusion that there would be a savings in rates which would make it possible to take some money from the agents and give it to the public. This effort has met with little success since the only portion of the public which has taken a vital interest in the matter has been, of course, the agents themselves. Those non-insurance people whose opinion has been solicited seem to respect the agents for having the courage to stand up and fight for their livelihood."

Hearings on the filings begin Sept. 16 at Oklahoma City. Both the filings call for a 20% reduction in production cost allowance, and the agents' "Newsletter" says this would result in commission cuts to agents of at least 20% on all automobile business. "To many agents who are already receiving commissions as low as 17½% and even 15% this would be an impossible situation," it is stated. "To others it would mean loss of any profits; reduction of overhead, even a loss of an employee and curtailment of services to the customers."

The agents are urged to attend the hearings and write in advance to get their opinions on the record.

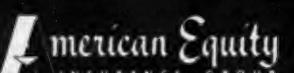
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because solid support from all departments
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Two Sides To Windshield Coverage, Safety or Dollars

By WILLIAM P. HENDERSON

If you compare the beginning of glass coverage with present practices, you will see how more than just the dollar value of windshields has been changed. The first comprehensive coverage which included glass required an added premium of only \$3. Before that, old timers will agree, many glass losses as well as other small comprehensive losses were paid for under broad form fire and theft coverage, but only after argument with the customer.

A smart underwriter came to this conclusion. "We will charge a premium for these losses, pay them without argument, render a wanted service and make a profit at the same time." He really started something that spread like wildfire. It's good that he did because this coverage has provided steady profit and payment of small losses has built fine customer relationship. After 25 years of dual benefits, recent experience indicates that the coverage needs some revisions which should again make it profitable and continue the fine customer service relationship.

An examination of loss records of more than seven million paid comprehensive losses and the

William P. Henderson, president of Henderson Tire Co. of Detroit, has maintained in a series of articles in *The National Underwriter* that certain features of automobile styling are becoming almost prohibitively expensive to insure. Windshields, as they develop more area and more curves, have been his chief target. Mr. Henderson also commented on portions of the grill work and the bumpers. It is his thesis that items of this nature should be specially rated, and in this article he elaborates on the reasons for giving special insurance attention to the new wraparound windshields which appear in the 1959 automobiles.

Mr. Henderson has made available reprints of his five previous articles at a cost of \$1, and the article in this issue can be obtained for 40 cents for one copy and 20 cents for additional ones by addressing Mr. Henderson at 1991 Woodward Avenue, Berkley, Mich.

Claims over a ten year period shows the following:

Glass losses have had a continuous increase. Except for wind and hail, all other comprehensive losses—such as theft, flood, fire and miscellaneous—show a reduction as they have not kept pace with the inflation factor.

In this ten year period there has been a continuous shift in the amount of paid glass claims. The average comprehensive claim paid in 1949 was \$20.74, and it increased in 1957 to \$37.75. Two studies prove this big increase is due solely to windshield claims. In 1949 the introduction of half curved windshields, then the full curved windshields in 1951, and finally the wholesale adoption of wraparounds in 1955 produced 15% increases in losses each time the change was adopted.

A study of paid claims for a large company in Michigan shows windshield loss frequency had reached 3 1/2 per 100 cars with a net paid windshield loss expense of \$3.30 per car. Analysis of some companies' opera-

tions nationally show a greater frequency and much higher expense.

In view of this record it is a sound conclusion that other and larger increases will follow.

Nearly all 1959 models will use twinwrap windshields that retain the same vision benefits as wraparounds, but will be more costly to insure.

We should clearly define the term wraparound as used in existing cars and twinwrap as used in 1959 models. The average wraparound windshield is 18" high by 80" long, having 11 square feet of glass. It is curved back at both ends. The average twinwrap windshield will be 28" high by 82" long, having 16 square feet of glass. It will be mounted at a greater angle of inclination or slope, and in addition to being curved at the ends, the upper 6 to 8 inches will be curved back to flow into the roof line.

Four Factors Of Higher Prices

There are four factors that call for higher prices.

1. The price of a larger area of perfect glass costs an added premium greater than increase in size.

2. Twin or compound bending increases cost. This is less on original larger production runs and more years later on small production for service glass replacements.

3. More costly, tinted, heat absorbing glass to provide drivers comfort is required.

4. A final plus factor is shading the upper portion to reduce the added sky and sun glare which causes eye fatigue.

The higher price must be multiplied by the increased breakage factor as a result of more glass area exposed for damage. But as a result of restricted car sales, manufacturers are now receptive to ideas which will eliminate needless added expense.

Three Benefits Of Sound Rating

Thus immediate sound rating of twinwraps will create three benefits:

- Prevent underwriting losses;
- Reduce future problems;
- Possibly reduce windshield size in future cars.

The changing automobile, the doubling and tripling of horsepower, and the automatic ease of use have speeded up our transportation. The increased tempo of modern living and driving, added to overcrowded roads, creates highway conditions many drivers cannot always cope with. Failure to meet these conditions are the basic cause of high accident frequency which results in high insurance costs.

It has been said that the wide angle forward vision in the panoramic view of wraparound windshields arrived

none too soon for today's driving. If this is true, it follows that the product which gives the driver the ability to see not only where he is driving, but what is coming at him is a most important safety contribution. Its benefits must be preserved. Failure to provide coverage, or the placing of restrictions in the form of a large deductible on its replacement defeats this important safe driving factor.

Everyone will agree an insurer could not afford to write collision, property

damage and bodily injury coverage on a car with damaged or defective brakes. How, then, is it possible to write these coverages on a car with forward vision impaired by a damaged windshield?

Too Many Damaged Windshields

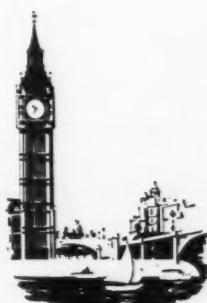
There are currently far too many 1951, 1952 and 1953 cars with damaged windshields on the road. The owner has no insurance, and will not spend \$70 for a new windshield. This

(CONTINUED ON PAGE 20)

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Stanley Morris Heads Insurance Unit Of Bar Assn.

Stanley C. Morris of Charleston, W. Va., was elected chairman of the section on insurance, negligence and compensation law of American Bar Assn. at the annual meeting in Los Angeles. He succeeds L. J. Carey of Michigan Mutual Liability.

John J. Wicker Jr. of Richmond was elected chairman-elect. He has been

vice-chairman and is succeeded in that position by Welcome D. Pierson of Oklahoma City.

Robert P. Hobson of Louisville, secretary of the section, resigned owing to other commitments and was succeeded by Lowell D. Snorf Jr. of Chicago. The newly elected members of the council are C. C. Frazier of Lincoln and John R. Dixon of St. Louis.

More than 1,000 members attended the meeting. Significant subjects on the program included a full day devoted to nuclear energy and collateral insurance-legal problems, a panel dis-

cussion on "Automobile Compensation Without Regard to Fault," an address by Commissioner Joseph A. Navarre of Michigan on "Federal Investigation of Insurance," and a panel on medico-legal trial tactics.

Ind. Field Men Meet

The first meeting of the new season of Indiana Capital Stock Insurance Assn. was held Sept. 8 at Indianapolis. Six tele-sell films acquainting the field men with various selling hints and "gimmicks" were shown.

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Independent Status More Precious Than Selling To Agents

American agency system company presidents have suddenly realized what a specialty company official meant when he said that such companies are captives of the independent agents, John Adam Jr., vice-president at Boston of Central Mutual, declared in his talk at the annual meeting of Maine Assn. of Insurance Agents at Rockland. The agents are independent, as they say, Mr. Adam observed, but the companies are quite dependent upon them.

He said the company presidents have found that their sales force is made up of thousands of these independents who spend most of their time in activities other than selling. Since the competition has salesmen who sell 100% of the time, the agency company future does not look too bright, with the agents devoting an average of less than 25% of their total effort to sales.

Balk At Salesman Status

Meanwhile, some of the best agency company business is going off the books, he added, and while they have been able to replace this, they have not been able to get anything like their share of the rapidly expanding mass market for personal lines. When the company presidents offer to relieve their agents of some of their non-selling activities and allow them to increase their premiums and incomes, they are met with the reply: "Whaddaya' tryin' to do, make us into just salesmen? We are independent agents, not salesmen."

The presidents will have to find an answer to this problem, Mr. Adam said, unless the agents find it first. The latter had better provide an answer to insure their own future, he added. He noted that a large proportion of personal lines is written by one man agencies. Their future is dim because one man cannot or will not do the sales job that must be done if his companies are to survive. Only those who fall in the genius class will be able to do the one stop selling of tomorrow which will involve the intricacies of personal and commercial fire and casualty lines and life insurance, Mr. Adam declared.

Merge Or Recruit New Blood

To insure its future by expanding sales, the one man agency should seek to merge with a firm which will complement the organization, he said. If this is not possible, a young man carefully selected to round out what is missing from the present operation should be brought in. In the past, this acquisition of new blood has too often been considered in terms of agency perpetuation and therefore has been put off until the owner was approaching retirement. The earlier a new man is brought in, the better for the agency in Mr. Adam's opinion. He advocated clear cut financial and possible ownership agreements to avoid future difficulties when a new man is added to the agency operation.

Wash. Local Assn. Elects

Fred Buroker of Kelso has been named president of Cowlitz (Wash.) Assn. of Insurance Agents and Lyle McFagden of Longview was elected secretary-treasurer. Frank Jaeger of Kalama, and Herb Hadley and Dorothy Nebb, Longview, were named to the board along with Neil Evenson, outgoing president.

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Aetna Shifts Field Personnel In West

Aetna has named George Simpson assistant manager of the western department. James C. McKinley becomes state agent in charge of the company's Lansing office, where he will be assisted by Evans W. Brown.

Richard M. Zitzmann, who has been an underwriter in the marine department at Detroit, will be special agent operating from there.

T. J. Nicol, state agent in Kentucky and Michigan with more than 32 years with the company, will retire in November. Michael J. Grob, who has been special agent at Lansing, will become state agent at Grand Rapids.

New Ala. Code Hearings On

Hearings on Alabama's proposed new insurance code are being held by a legislative committee at Montgomery, and will continue until Sept. 19. The proposed code was drafted by Williams & Williams, Seattle law firm.

Melone In Charge Of New Fund Unit

Research, development and sales units have been established at the home and departmental offices of Fireman's Fund and Vice-president Woodward Melone has been assigned executive supervision of the home office unit.

Units at the departmental level will be under Bradley Palmer, Pacific department, San Francisco; Clemens A. Fortman, southern California department, Los Angeles; Charles S. Cooper,

eastern department, New York; Ced Pool, southern department, Atlanta; and Jim J. Wilson, southwestern department, Dallas.

The units were established to coordinate plans, decisions and action to up-grade production facilities available to the Fund's producers throughout the United States, according to James F. Crafts, president.

Robert Hopps Cleared Of Contempt; Will Produce Sierra Records

Robert S. Hopps of Sierra Underwriters has been cleared of contempt charges handed down by Superior Court Judge Devine after hearings in California involving International Guaranty & Ins. Co. of Tangier.

On order of the court, the attorney for Mr. Hopps agreed to deliver to Commissioner McConnell disputed and previously unavailable records of Sierra Underwriters "as far as we are able." Nelle Martin, an employee of Robert Hopps, had testified in July that she had taken these records from Nevada to Silver Spring, Md. They purportedly contain daily reports showing business placed by Sierra Underwriters with International Guaranty.

Asked For Protective Order

Mr. Hopps' attorney asked for a "protective order" to avoid divulging names of brokers doing business with Sierra Underwriters, but Deputy Attorney General Maas said these were needed to adjudicate claims.

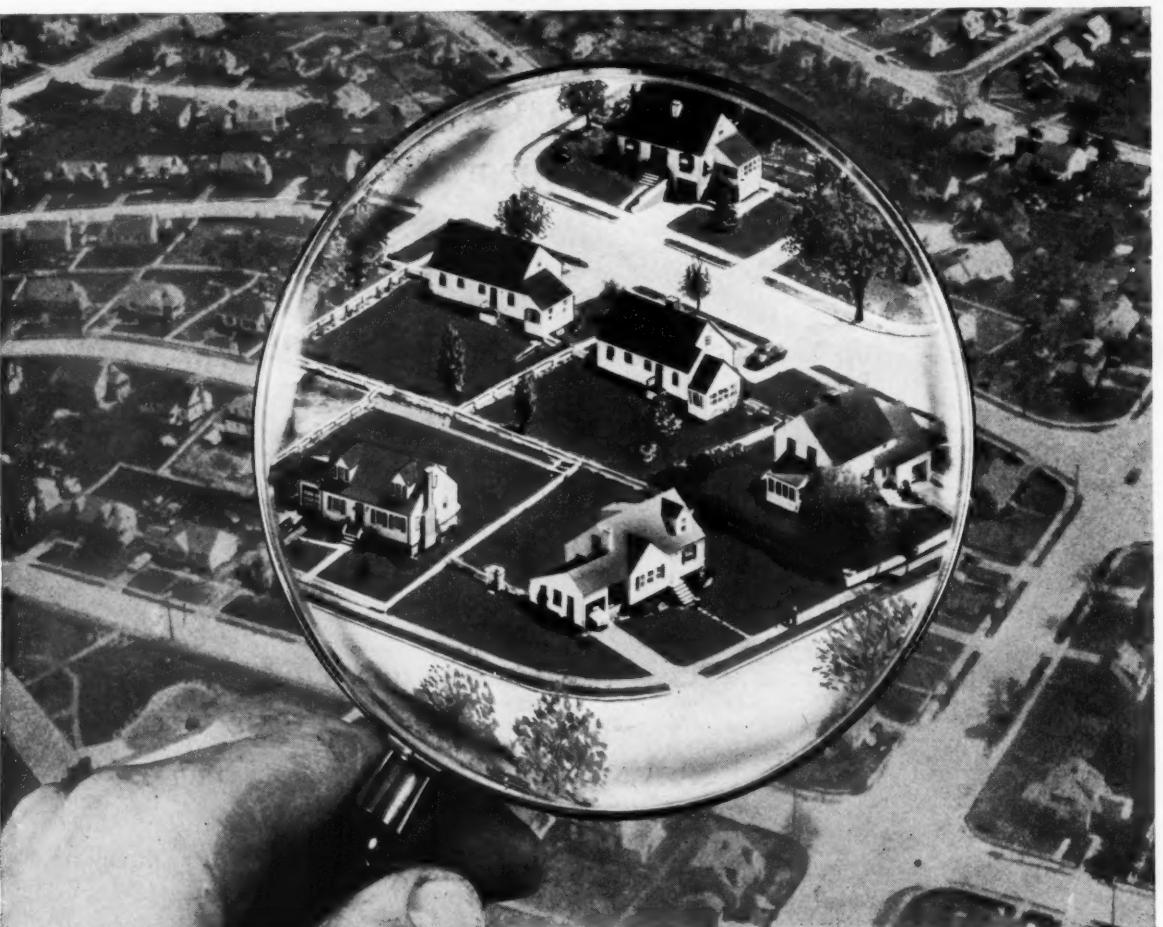
It was indicated that Commissioner McConnell next week will make a formal move for a court order to liquidate International Guaranty, stating that the department still does not know who owns or owes the Tangier insurer.

\$60 Million First Year For Allstate Life

Allstate Life, at its first year in business Sept. 3, had more than \$60 million on the books, an amount described by president J. B. Branch as far more than anticipated.

The company is now licensed in 42 states and the District of Columbia, about double the early plans for entry into roughly 20 states by the end of this year.

Allstate Life sells life insurance over the counter in the Sears stores just as its associated insurers sell automobile, fire and personal liability insurance. The Allstate group also has begun to write individual A&S insurance.



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to equal the number* of new private residences under construction during the current year, despite recession and talk of diminishing markets.

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Lemmon Backs Flexible Rate Bill For Texas

Testimony favoring a flexible rate bill for Texas was given before the state legislative council last week by Vesta Lemmon, general manager of National Assn. of Independent Insurers. The legislative council has a committee studying automobile insurance to determine whether equitable rating practices exist under the uniform rate law.

NAII endorsed a similar bill last year, but it lost in the legislature. Mr. Lemmon told the council that the single rate bill in Texas is a monopolistic one and is "an open invitation for federal regulation and taxation of the insurance business." If competition in rates were allowed, he declared, the average auto premium in Texas could be reduced 20%.

It was Mr. Lemmon's contention that the uniform rate bill will cause NAII members operating in Texas to charge \$13 million more than is necessary, although approximately \$10 million of this may be returned in dividends.

Deviate In Other States

Mr. Lemmon also said that Texas companies which opposed the flexible rate bill in the last legislature deviate their rates up to 10% in other states, and that the uniform rate law apparently did not offer a protection for the smaller companies in Texas because the state has more bankruptcies than all other states combined.

Earlier the council had heard from supporters of the uniform rate law, who claim it gives the state the lowest auto rates in the country. Mr. Lemmon said this argument is a matter of juggling figures, stating that Texas in 1959 will pay \$25 million more than necessary when the \$13 million of the NAII members is figured in as well as the 20% reduction in acquisition cost allowance that is being put into effect in other states.

Scout With Great American

Great American has appointed Vance L. Scout, formerly of Reliance, special agent in eastern Pennsylvania to succeed John J. Sheehy, resigned.

To establish uniformity of field operation, agents located in the eastern Pennsylvania section of Special Agent Percy MacDonald Jr.'s territory will now be serviced by Special Agent Raymond F. J. Utsch.

Both Mr. Scout and Mr. Utsch will make their headquarters in Harrisburg.

Hughes To South As Jersey Retires From America Fore

America Fore has appointed Thomas D. Hughes vice-president and manager of its southern department to succeed Louis P. Jersey, who is retiring Oct. 1. Mr. Hughes, who is presently vice-president in charge of the New York metropolitan division, has been with the company since 1924.

Mr. Jersey is relinquishing active duties on the advice of his physician, after 47 years in the business, 38 with America Fore. He will continue to serve in a consulting capacity for several months. He began with Fire Association in Atlanta and later was with Royal. He was also with the general agencies of Dargan & Hopkins, and Jerome & Brown. He joined America Fore in 1920 as a special agent of Fidelity-Phenix in Virginia. In 1928 he went to the home office as agency superintendent. In 1930 when the southeast department opened at Atlanta he went there as an assistant secretary and later was appointed secretary in charge. In 1940 he was made vice-president in charge of the southern department. He is past chairman of the governing board of North Carolina Rating Bureau and of Southeastern Underwriters Assn. and a past chairman of many committees of that organization.

Career Of Thomas D. Hughes

Mr. Hughes entered insurance in 1919 with an Atlanta general agency and later joined North America as a special agent. He went to America Fore in 1924 as special agent for Continental in Mississippi and later in Florida. He was promoted to Florida state agent for Fidelity-Phenix in 1936 and transferred to the home office in 1938 where he was appointed a secretary. In 1951 he was appointed a secretary of the fire companies of the America Fore group, supervising the New York metropolitan and brokerage departments, and was made vice-president in 1955.

Mr. Jersey is being honored at a luncheon in Atlanta this week. J. Victor Herd, chairman of the America Fore officers from Atlanta and the home office and business and civic leaders are attending.



Thomas D. Hughes



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Diversification Incongruity Noted At Mutual Casualty Conference

Traditionally, the programs of the sales and agency conferences of Conference of Mutual Casualty Companies reflect the current mood of the business, so it is not at all surprising that automobile insurance—the current No. 1 bugbear—and premium finance plans—a subject growing in importance by leaps and bounds—were

featured prominently at this year's meeting at Chicago last week.

The strong underwriting tinge which colored the sales conference in 1957 was even more pronounced this year. Production per se took a back seat to "diversification," "balanced portfolios," etc. More than one speaker pointed out the incongruity of a group composed

largely of companies which originally wrote automobile insurance exclusively discussing ways and means of curbing "an agency who or a territory which persists in giving an increasing automobile volume with nothing else"—a prominent program topic.

Set Attendance Record

The number of registrants—151—set a record high for the conference. The number of member companies has reached a record high also, 85 companies now subscribing. Paul E. Buehler, Beacon Mutual Indemnity, secre-

tary and guiding light of the Conference was acclaimed for his work in building the group to this position.

Following the practice established at last year's meeting, the conference was divided for certain sessions into two sections: Vested and non-vested agency companies. The vested agency sessions were moderated by Robb B. Kelley, Employers Mutual Casualty. W. B. Kinnaman, Farmers Mutual Automobile of Wisconsin, presided over the non-vested sessions.

The conference, well-paced throughout, got off to a fast start with a searching appraisal of the potential of the multiple line concept by Dr. S. Rains Wallace, director of research Life Insurance Agency Management Association. Speaking to the combined sections, Dr. Wallace gave a refreshingly unsterotyped opinion of what the future holds for "multiple" or, as he termed it, "all" line sales.

Compares Life, Casualty Companies

He first examined some of the similarities and differences between life and property and casualty insurance and then pointed to signs of the growth of "total" multiple line: The interest of property companies in life companies and vice versa, the interest of life agents in property insurance, etc.

Turning to the future, Dr. Wallace said that the real future of "total" multiple line is bound closely to the whole economy, and not something dependent solely on purely industry considerations. Economic prospects for the next generation indicate that the agent "should" have a broader portfolio. With the number of agents to be almost necessarily reduced (Dr. Wallace believes this will follow simply from the tremendous competition with other industries for the limited manpower available), the agent must sell more "per contact."

However, he made it clear that even with an all-line portfolio the agent of the future may not necessarily have an all-line clientele. Even with full multiple line facilities the majority of agents today tend to classify their customers, regarding some as life customers, others as property customers, and so on.

Must Examine Ideas Of Agent

Certainly, he said, with the much greater investment companies will have in the agents of the future, present concepts of what is required in training, in supervision, and in compensation to develop an all-line agent must be scrutinized carefully.

At the first of the vested agency sessions, several speakers tackled the problem of achieving balance between automobile and other—perhaps more profitable—lines.

Otto C. Lee, vice-president Harleysville Mutual, said that his company had begun by setting up definite objectives in terms of what kind of diversification it wanted. Then, the company's underwriting rules and regulations were analyzed, and where necessary, changed, so that they were compatible with objectives. Only after these two steps had been taken can a company begin to motivate its agents to produce the type of diversification desired, he said.

Describes Role Of Field Man

Paul Dubuc, agency secretary Shelby Mutual, described the role of the field man in the diversification picture. While Mr. Dubuc conceded that there is much difference in the ability of field men to produce diversified business from their territories, he could not ascribe it accurately to the tech-

(CONTINUED ON PAGE 19)

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*I*t's a crucial time when fire or windstorm has done its damage—or when you face serious loss because of liability through an accident. Will you have a friend who understands your predicament—wants to help you—and knows just what to do and how to do it? You will if you have enjoyed the services of an Independent Insurance Agent. For then your protection will have been carefully planned by a specialist who is a friend and neighbor right in your own community. Then when you are in trouble, he will be nearby to help you. Your interest will be his first concern. You will find him not only skilled and efficient in expediting your claim but also willing and able to serve you in many ways, to help restore your peace of mind.

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(CONTINUED FROM PAGE 1)

that commissions are compensation for more than a mere sale. Other services are involved, he pointed out, and the producer who performs them should be paid accordingly on an individual basis.

Roy H. MacBean of Cranford, who was reelected for a third term as state national director, teed off on the acquisition cost factor reduction at a

later session during a panel on agency economics. After paying tribute to the primer on commissions by Robert E. Battles of Los Angeles, past president, he referred to commission cuts in California which followed a reduced production cost allowance there and ultimately led to the agents hiring anti-trust counsel to maintain their right of individual and private nego-

tiation with companies. Mr. MacBean admitted that the companies have sustained huge losses in automobile underwriting coincident with a drop in investment earnings. Nevertheless, he said, agents must ask what will be the production cost factor next year, and the year after, if the companies continue to lose money. He said that agents' associations cannot simply preserve for their members the continuing right to negotiate a smaller and smaller part of a constantly reducing production cost factor. Mr.

MacBean said he felt safe in saying that most representative agencies, other than specialists, have about one-half of their business in automobile lines. Thus, if the standard 25% automobile commission is reduced to 20%, the agents suffer a 20% cut in commission income on the claim through a five point reduction. It doesn't take much of a mathematician to figure that a 20% decrease on half an agent's business is equal to a 10% drop on his entire volume, he added.

At their press conference, Mr. Franz and Mr. Grannatt agreed that companies could cut costs by eliminating services by field men and branch offices which duplicate agents' performance. They cited a branch set-up on top of a general agency operation as a costly example.

Roll Undergoing Change

They agreed that the role of the field man is undergoing a change. When the field man was a specialist in fire or some other line, he was valuable to an agent, they declared, but those who have become multiple line representatives are no better equipped than a well informed agent and consequently of little help.

In reply to a direct question, Mr. Franz said that the primer on commissions by Mr. Battles was the finest piece of material published in the business in the last 20 years. He noted that he appointed a commission study committee during the year which has made preliminary analyses and had conferred with National Bureau representatives several times. Committee members are H. Earl Munz of Paterson, S. S. Holland of Jersey City, John Sheiry of Bridgeton, Charles H. Frankenbach of Westfield, Mr. Franz, Mr. Grannatt and Mr. MacBean.

Sees FR and USF Laws As Satisfactory

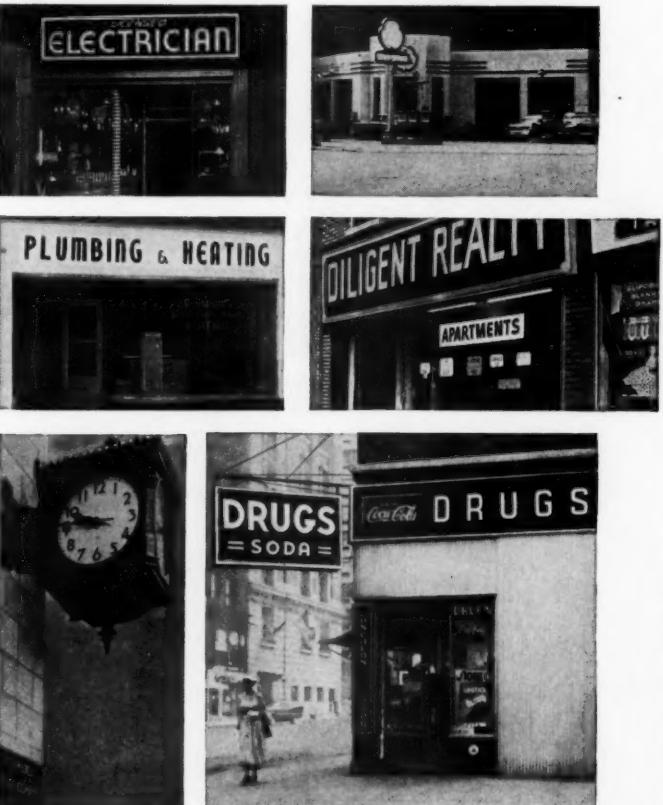
Mr. Franz was optimistic about warding off a compulsory law in the state. He said the broadened unsatisfied claim and judgment fund law and the strengthened financial responsibility law appear to have satisfied the administration. Compulsory could creep in if surrounding states enact such a law and weaken New Jersey's position, he added.

Questioned on the right of agents to receive full commissions on renewals, Mr. Franz said there was just as much work in that connection as when the policy was first sold—aside from the sales talk. He specified the agent's responsibility to service the policy, to suggest broader coverage and increased limits, none of which are mechanical processes.

Notes Success In Obtaining Law

In his formal report to the convention Mr. Franz noted success in obtaining an agents' qualification law during the year. He said that Commissioner Howell recently created an advisory committee to assist his department in carrying out the law and that Harry G. Mather of Trenton has been named as the association representative on this group.

Mr. MacBean stressed the continuing fight on fictitious group plans in his report and urged members to alert the association on such projects. He also cited the recent congressional probe of auto PHD overcharges due to miscalculation of risks and referred to Senator Monroney's statement after the investigation that there was no evidence of this evil where insurance was written through an agent. This was a tribute to the agency system, Mr. MacBean said, and particularly



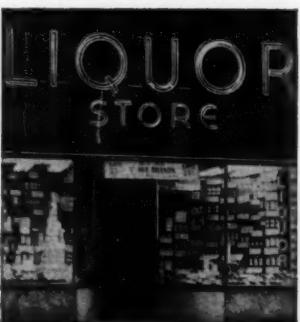
A MULTIPLE LINE GROUP

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September 12, 1958

to New Jersey which was one of six states praised for promptly making refunds.

Alan H. Miller of Hackensack, 1958 chairman of the NAIA advertising campaign, reported on the program to date and stressed a special full page ad in the Saturday Evening Post of Sept. 27. Presidents of all major stock companies were urged to tie in with this ad which includes the following wording: "Some of the many companies which sell insurance through independent insurance agents are shown on the following pages." Mr. Miller said that 12 prominent companies have agreed to run an ad in the issue and that the total impact of these ads would overshadow the advertising of competitors. He also pointed out that the New Jersey goal for contributions to the 1959 campaign is \$90,000 and noted that last year barely \$41,000 from 665 out of 1,500 agencies was subscribed.

Describes Ad Campaign

James R. Mathews, NAIA director of advertising, presented the first showing of a film outlining the broadened scope of next year's campaign. Evening TV news programs will be utilized with the greatest frequency in states which contribute the highest percentage of their share. Ads will appear in Life, Time, Saturday Evening Post, Farm Journal, Farm and Ranch and in such Sunday supplements as This Week, Parade, Family Weekly, and American Weekly. Noted personalities have agreed to endorse the program and to advise the public to buy through independent agents. Included are Donald I. Rogers, financial editor of the New York Herald Tribune, H. V. Kalten-

born, noted news analyst, Stan Musial, St. Louis Cardinal's star, and Gene Sarazen, champion golfer.

A new 12 minute film, "Man with a Mission," describing the work of the independent agent, will be made and offered to TV stations as a public service feature. It will also be available through state associations for showings to civic clubs and other interested groups.

Aims At Direct Writers

The program for 1959 is designed to meet the national advertising of direct writer competition and to enable agents to surpass them in sales. New billboard advertising, a large selection of newspaper mats, a booklet on automobile insurance for customers and prospects, a program of classified telephone directory advertising and many selling and merchandising ideas have been added.

New members of the executive committee are James Ryan of Paterson, Edward P. Kinchley Jr. of Little Ferry, Edwin Rothberg of Plainfield, Emile Karam of West Orange and Lawrence Robinson of New Brunswick. Charles J. Unger was reelected executive secretary-treasurer.

Mr. Mathews presented the NAIA Bowen public relations award to Mr. Miller who was president when the New Jersey association earned this honor. Mr. Mathews also presented the Wilson memorial cup award to Bergen County Assn. for all around excellence. Passaic, Hudson and Essex counties received honorable mention. National Safety Council presented its citation award trophy to the association for its outstanding traffic safety program last year. This is the second time in as many tries that New Jersey has taken top national safety honors.

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Give Program Of New Orleans NAIA Rally

(CONTINUED FROM PAGE 1)

A session on trends in the business will follow at which speakers will be Commissioner Arch E. Northington of Tennessee, Commissioner N. T. Nelson Parker of Virginia, and Commissioner Joseph A. Navarre of Michigan. Mr. Northington is president of National Assn. of Insurance Commissioners, and Mr. Navarre is immediate past president.

J. Norvell Trice of Richmond, chairman of the educational division of NAIA, will handle the educational breakfast Tuesday.

A second workshop will start at 9:30 a.m. Tuesday at the Roosevelt on new developments in the business. Harold K. Philips, manager of the public relations department of Assn. of Casualty & Surety Companies, will discuss

"The Public Must Be Told—Information Services of the Association;" Dr. Edwin S. Overman, assistant dean of American Institute, will review developments in CPCU; Thomas Glavey, vice-president of Chase Manhattan Bank and in charge of its insurance division, will discuss insurance from a buyer's point of view, and Harry F. Perlet, general manager Multi-Peril Insurance Conference, will review the new homeowners and comprehensive dwelling policies.

The 1:30 p.m. session of state direc-

tors will be at the Roosevelt. An informal jazz jamboree that evening at the Roosevelt is by courtesy of Continental Casualty.

Two groups will hold breakfast sessions Wednesday morning at 8, the metropolitan and large lines agents at the Jung, under Chairman Albert J. Mezey of New York City, at which H. Sumner Stanley, assistant general manager of Factory Insurance Assn., will speak, and the rural and small lines agents at the Roosevelt, under C. D. Swett, Woodland, Cal., at which Dean Mathews of Ashland, Kan., will speak.

The 9:30 a.m. workshop on advertising will be at the Roosevelt. Joseph A. Neumann of Jamaica, N. Y., past NAIA president, will act as coordinator, in his capacity as new NAIA advertising committee chairman.

The state directors will hold an executive luncheon. This traditionally is the nominating session.

Closing General Session

At the closing general session in the Jung, Maj. Gen. Melvin Maas, USMC retired, chairman of the President's committee on employment of the physically handicapped, will speak on that subject. Awards will be presented—California association mileage cup, Des Moines attendance cup, Connecticut association membership trophy, Bowen public relations award, Walter H. Bennett memorial award for local board activities, the Sparlin cup for the state association which has contributed the most to the agency system, and the Woodworth memorial for the member who has performed the most outstanding work for insurance.

Resolutions and the election will close the business sessions. At 7:30 p.m. the annual banquet will be held in Municipal Auditorium. Mr. Neumann will install the officers and Mr. Gerber will give the oath of office.

The next annual is Sept. 21-23 in Chicago.

Interstate Indemnity Ownership Identified

The announcement in a recent issue that Lester C. Layman was elected executive vice-president and a director of Interstate Indemnity of Los Angeles erroneously identified this company as a member of the Markel group. J. A. Markel, brother of the founder and uncle of the present owners of Markel group, bought Interstate Indemnity last January and is now the sole stockholder.

GAB Shifts Southern Staff

General Adjustment Bureau has opened a branch office at Norton, Va., and advanced Charles K. Kessinger from resident adjuster to manager. John H. Nixon has been advanced from adjuster-in-charge to manager at Andalusia, Ala., which is now an independent branch.

B. M. Harris has moved from Clarksville to Tullahoma, Tenn., as resident adjuster, succeeding L. T. Reed, who has resigned. Jack C. Flick, formerly at Panama City, has gone to Dublin, Ga., as adjuster-in-charge, succeeding Luther G. Shelby who has moved to Greenville, Miss.

Standard Accident Names Bettis

Standard Accident has named Earl W. Bettis senior bond underwriter at San Francisco. He began his insurance career as casualty and bond underwriter with Massachusetts Bonding in 1938 and joined Crum & Forster in 1955 as bond superintendent of the Pacific coast department.



WANT A BETTER BUSINESS TO PASS TO YOUR SON?

Then build it sound—on the good risks—

Give personal service—

Sell the best—

And you can't miss!

(That's why Home Insurance, for over 100 years, has had the most successful agents in the world! Are you now one of them?)

The HOME Insurance Company

Property Protection since 1853

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds



N. Y. Insurance Society Award Regulations Set

Registration forms will be available Oct. 1 for candidates for the Anglo-American fellowship offered by Ben D. Cooke, president of Agency Managers Ltd., through the school of insurance of Insurance Society of New York. The forms must be completed and submitted to the administrative office of the school by Mar. 1, 1959.

Students attending the school during the 1958-1959 year, who are not over 35 and are citizens or permanent residents of the U. S., are eligible for the award—a six-week trip to London to study the British reinsurance market. Applicants will take examinations on general knowledge and mental ability and on reinsurance principles and practices and must submit an essay on reinsurance before May 1, 1959. The fellowship will be available annually for at least five years.

Louis S. Hadley has joined Boylston agency, Boston, as manager of the casualty department. He has been in charge of the casualty department of Fairfield & Ellis 11 years.

2-WAY SAVINGS for Homeowners and Tenants



TODAY'S best insurance buy for the homeowner or tenant is the residence package policy which combines fire, theft, and personal liability protection.

The quick acceptance of the "all-in-one" package has, in fact, opened up the whole field of the residence and personal lines to those agents who do the systematic promotion required to inform and sell the many buyers of these coverages.

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Stack In Aetna Casualty Drivotrainer Program

Dr. Herbert J. Stack, former director of the center for safety education at New York University, has been appointed a consultant on the Drivotrainer program by Aetna Casualty.

The Drivotrainer, a device developed by the company for behind-the-wheel driving lessons in the classroom, has been adopted by high schools in 16 states. It will be featured in full page advertisements by Bethlehem Steel Co. in five national magazines this month. The device is partly constructed of Bethlehem sheet steel.

Fire Rates Up In S. C.

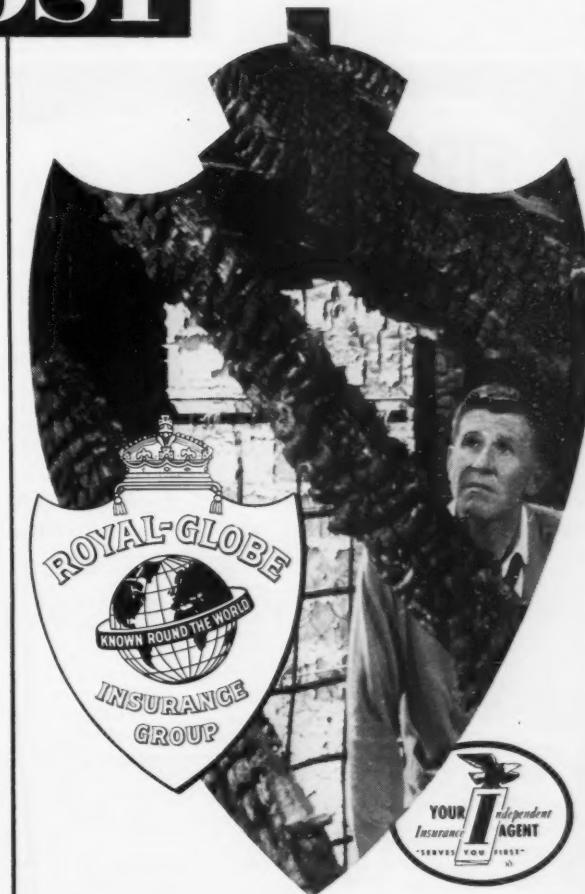
Residential and commercial fire rates have been increased in South Carolina by an average of 24.5%.

The boost will result in an estimated \$4 million premium increase, and was based on heavy and steadily increasing fire losses in the state during the last five years. The new schedule includes reductions for some classifications and a 50% increase for farm property.

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September 27th issue



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Agents Must Add Life Facilities And Young Manpower To Offset Competition

Agents must get off "their big fat renewals" and put some "life" in their agencies, Marshall B. Simms, director of multiple line development for Continental Assurance, declared at the annual meeting of New Jersey Assn. of Insurance Agents at Atlantic City. There is no longer any question of what general lines agents think about entering the life business, he continu-

ed. The hard fact is that competition is going to force them into writing life to protect themselves.

Storm warnings are flying in the property and liability business, and those agents who do not put out an extra anchor in the area of personal lines to achieve balanced production are in for trouble, Mr. Simms asserted. He said that with the advent of pack-

age policies, and the inroads of direct writers and other competitors, the trend of premiums and commissions is downward, while agency costs are climbing. As a result, agents are forced to work harder merely to stay even. They should look to the life field for a solution, he declared.

General Producers Tops In Life

The life market is the least saturated and the most rapidly growing in the industry, he continued. It can provide more income from present established general lines clients, and the

agent need not add to his overhead by increasing his staff or office facilities.

Mr. Simms said that the fact the fire and casualty companies are entering the life field by alliances with life companies or by forming their own should spur agents to enter this business. He pointed out that his company is currently obtaining 80% of its new ordinary paid life business through fire and casualty agents. They have a head start in selling life, he added. Career life underwriters spend 50% to 80% of their time prospecting but the general lines producer's prospecting is already accomplished. His clientele is established and he has complete data on their business and personal status.

Practical Steps Suggested

Mr. Simms said that fire and casualty producers entering the life field should not seek a general agent contract and thereby incur additional agency management problems. He urged affiliation with a life company with a well equipped local agency office, staffed by experienced life insurance sales engineers and offering unlimited sales facilities. Among these are the broadest selection of ordinary policies, perhaps participating and non-participating; all forms of group coverage; pension plans, preferably tailor made; a wide range of age limits; a progressive underwriting department; streamlined applications and simplified manuals; and complete, self contained sales package plans to eliminate the need for rate manuals and complex sales presentations.

If general lines producers make a connection with a life company geared to cooperate with them, the professional life man in the local agency or branch office will assist in on-the-job and other necessary training as well as licensing. The next step is for the fire and casualty man to let his clientele know he is in the life business through promotional material. Complexities of modern living and dying make it necessary to funnel business through experienced life insurance hands, Mr. Simms continued, but the good general lines agent can quickly absorb the necessary knowledge to handle about 90% of life business that comes his way.

Agencies Being Examined

On the question of agency perpetuation he said that today many commercial clients are examining fire and casualty agencies critically to determine their management depth. Agencies which lack that feature and have not added young manpower have lost sizeable accounts. They should take immediate steps to halt this trend, he declared.

This action, connection with a good life company, and a return to the fundamentals of salesmanship upon which general lines producers originally built their agencies are the practical solution to today's pressing competitive problems, Mr. Simms maintained. A life insurance facility will increase sales and net earnings, offset direct writer competition, halt profit leaks and keep the general lines agent ahead of increasing overhead costs.

The Florida department has appointed Norman R. Thomas director of its financial responsibility division to replace the late Edgar P. Wesley. Mr. Thomas has served as assistant director since April. In 1955 he became a referee in the insurance department, out of the Miami office, and in 1956 opened the new field office in Dania and was promoted to deputy commissioner.

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FASTEST!

HOMEOWNERS POLICY
Part Two, This Declarations Page with "Policy Provisions-Part One" completes the below numbered
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Named Insured
(Number, Street, Town, County & State)
Policy Team: Standard Location of PROPERTY DESCRIBED From:
REPRESENTATIVE: Agent or Broker
 Office Address
 Town and State
ACTIVE INSURANCE COMPANY
INSURANCE CENTER, U.S.A.
The described premises covered hereunder are located at the above address, unless otherwise stated herein: (No., Str., Twn., Cty., St.)
Insurance is provided only with respect to those of the following coverages which are indicated by a specific limit of liability applicable thereto.
Section I
A. Dwelling
B. Apportionment Private Structures
C. Unscheduled Personal Property
D. Additional Living Expense
E. Comprehensive Personal Liability (Bodily Injury and Property Damage) Each occurrence
F. Medical Payments
G. Physical Damage to property of others Each occurrence
Subject to the following Forms and Endorsements:
Insert Number and Edition Date:
The described dwelling of not more than two rooms or boarders per family. Not more than feet from hydrant construction is occupied by not more than two families and miles from Fire Dept. Approved Roof Zone Protection Class
Described dwelling is not seasonal and no business pursuits are conducted at the premises thereof; Exceptions if any:
Business of Named Insured:
Loss deductible clause No. 1—Loss by windstorm or hail \$
Loss deductible clause No. 2—Loss by other perils \$
Special provisions applicable only in Florida and South Carolina—Valuation Clause \$
Southern States: Inside City Limits
N. Y. Co-Insurance clause applies: No
Section II only: (a) The described premises are the only premises where the Named Insured or spouse maintains a residence other than business property and farms;
(b) Insured employs not more than two full-time residence employees;
Exceptions, if any, to (a) or (b):
First Mortgagors Name and Address:
Deductible applies
Inside Protected Suburban Area
Yes
N.Y. Fire Dist.
N.Y. Fire Dist.

R & S is ready to deliver the new HOME-OWNERS Policy at a moment's notice in a jacket and Declarations Set, or wrap-around style—either can be furnished in Reddi-snap form. BOTH have an *exclusive* "Short Write" arrangement of standard data that permits setting of just 3 tabular stops for areas to be typed! No weaving back and forth—policies can be processed with

machine-gun rapidity—more work turned out at lower cost.

We suggest that you send in your present HOMEOWNERS Policy for preliminary preparation and proofs—this will greatly expedite delivery of policies when the new form has been authorized. *Estimates without obligation.*

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NATION WIDE SERVICE

Fire Agents Give Views On Life As Competitive Facility Or Threat

(From E. B. Berkeley, president of the Cleveland Insurance Agency.)

First, as to the necessity of a general insurance agency to establish its own life department.

I personally agree with the premise that while it is important to ascertain how the entry of so many fire and casualty companies into the life insurance field affects the general insurance producer, nevertheless only a step away is the equally important question as to the effect upon the casualty and fire producer when the large life insurance companies enter the fire and casualty business. It has been estimated that the entry of 150,000 life insurance producers would exert a tremendous pressure on the traditionally operated agency system of the fire and casualty companies.

Many Life Men Already In Casualty

However, all is not gold that glitters. It must not be assumed too quickly that the estimate of 150,000 additional life insurance producers entering the casualty and fire field is correct. For, as I see it, the traditionally operated agency casualty and fire business already has licensed as producers a substantial percentage of these life production units. I would estimate that at least 30% of the total listed and recorded life producers would already be found to be licensed or have a connection with fire and casualty companies or their agents. I can name a half-dozen former so-called general agents for life companies who are now branch office managers who have maintained their licenses for casualty and fire connections in spite of the fact that they are now full time salaried employees of a life company presumed to be devoting their entire time to promotion of the interests of the life company which pays their salary. There is the suggestion that this type of licensee for fire and casualty lines is splitting his commission with the life men who work for him, with or without the knowledge of his employer, the state insurance department or others. Perhaps he turns all the commission over to his office life agent licensees, as to do otherwise would certainly give him a headache on his income tax problems. Many of these individual life insurance sales representatives would have no report made of their commission income unless the payments exceeded \$1,000 in a single calendar year, but the life manager who has any considerable number of life men working for him might find himself fouled up on income tax matters if he works it in the way I have indicated.

Problem Is Two-Pronged

This is not at all an attempt to play down the importance of either part of the two-pronged problem of (a) an influx of life sales representatives turning to the casualty and fire field, or (b) the activity of the general insurance agencies operating in the life field as well as in casualty and fire. Additionally, this is not new or startling, although I admit being somewhat amazed at a recent statement of a vice-president of one of the life companies which we represent, that 60% of his company's new life business was coming from general insurance agents. He was urging that

our firm get into the life business more heavily as we somewhat recently have studied the matter and concluded not to set up a full fledged life department. In this investigation we had found that the services of a competent life man to head this department of our firm came rather high, and that instead of one man, we would require the services of at least three, one to specialize in group, another in pensions and another in individual estate planning, and possibly still another man to act as a sort of sales director. It would have meant recruitment of sales personnel, and enlargement of office facilities, etc., as well as an initial investment not far from \$100,000 without much assurance that the life department would prove profitable in the long run. We already held representation of at least four life

companies, and since our investigation, at least another four fire and casualty companies have acquired life affiliates, and have been pushing us to take them on. Inasmuch as we already represent more than 30 companies of all types, this is not as simple as it sounds, and probably points toward a release of some of our companies for reasons of administrative economy.

Has No Installment Plan

We have not established any premium installment plan of our own, designed to package all of our clients' personal needs for such services. First of all, there already exist fairly adequate facilities in local banks and through insurance companies, although this statement applies primarily to the type of premium financing involved in

run-of-the-mine accounts. Larger commercial and industrial accounts seldom finance premiums. I will agree, however, that as time goes on it will be necessary for us to reshape our facilities for financing premium payments, for we are already committed to "account selling," endeavoring to bring up the unit size of each client's account. We have succeeded to a considerable degree in increasing the average customer unit size. Our last policy count showed we are enjoying about double the national average for firms of our size. That this reshaping should take into consideration the client's life insurance program as well as his fire and casualty premium account is, in my opinion, somewhat doubtful, in spite of the fact that the "one-stop" idea promotes this approach.

Doubts Price Motivation

As to the theory that the public is looking at "price" first, last and all the time, not only in insurance but in everything, I don't believe this is entirely true. But I do feel that "motivation" has to be re-studied in

(CONTINUED ON PAGE 38)

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That's why, for your special risks, Illinois R. B. Jones gears its operation to fast, non-stop service these three important ways: 1) A central location, in Chicago, convenient to producers anywhere in the nation; 2) High binding authority that means the fastest quotes and coverage for the majority of your risks; 3) Daily TWX communication with London (for risks placed in the open market), that cuts transmittal time to seconds.

No wonder, then, that producers who want speed place their special risks through Illinois R. B. Jones. Try it.

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McMackin Treats Theft In New Homeowners

(CONTINUED FROM PAGE 4)

new homeowners forms, this exclusion has been reworded but remains. As with the mysterious disappearance question, this excluded coverage can be purchased by endorsement of one of the homeowners broad forms. The two features are, in fact, included in the endorsement—called “extended theft”—and may not be purchased separately from each other.

The new wording of the “property left unattended” exclusion is extended to apply to “any automobile, motorcycle or trailer, other than a public conveyance” rather than just to a “private passenger motor vehicle” and the reference to its presence on a public parking lot, etc., has been dropped, and with it a lot of arguments about the difference between a “public” parking

lot, garage, etc. and the lot behind a group of stores, beside a night club, in front of a construction area, etc.

Those who have had anything to do with it in the last year or so will recognize that the theft cover is now almost exactly on a par with that of the personal theft form from the burglary manual. Hence, it contrasts very sharply with CDP theft cover, which was based on the broad form personal theft policy, and, as to intent, practically not at all with existing homeowners A and B.

The “extended theft” endorsement

adds to the definition of “theft” as “any act of stealing or attempt thereof, the expression “or mysterious disappearance (except mysterious disappearance of a precious or semi-precious stone from its setting in any watch or piece of jewelry).” It also deletes the exclusion dealing with property left unattended in or on an automobile, etc.

As noted before, the extended theft endorsement is permitted only with Form 2 or Form 4. It is not available with the standard coverage—Form 1—and, strictly as it reads, would involve a redundancy or overlapping of both coverage and premium with the all risks or comprehensive form—Form 5.

Form 5, like the present homeowners C, does not exclude either mysterious disappearance or property left unattended in a vehicle. However, both the C policy and the new form which will be replacing it apply a \$50 deductible to these perils. The deductible can be waived generally, i.e., deleted from the policy as an entirety, but not merely as to these two perils.

Hill Is Promoted By Hartford Accident

Hartford Accident has appointed Norman E. Hill superintendent of the casualty department at Cincinnati.

Mr. Hill joined the company nearly 25 years ago, at the home office, went to Kansas City in 1940 and later was special agent at Lincoln, Neb. He has been assistant superintendent at Cincinnati since 1949.

Doctor Can't Guarantee Operation Will Succeed

Federal Judge E. J. Devitt in Minneapolis dismissed a \$550,000 malpractice suit against four specialists at the University of Minnesota hospital on the ground that the doctors did not insure the welfare of their patients or the success of the operation. “They are only required to possess the skill and learning possessed by the average member of their branch and to apply that skill and learning with due care,” the judge said.

The decision, which is expected to have an impact on future malpractice cases, arose from a suit brought by Lt. Col. D. F. Thompson of the air force on behalf of his wife. Col. Thompson argued that his wife suffered permanent injuries while being prepared for a heart operation, and he charged the doctors with carelessness and negligence.

Olympic Holds Open House At New Los Angeles Office

Olympic held an open house in its new two-story building at 955 South Western avenue, Los Angeles. Some 350 guests gathered to celebrate opening of the new office, which will house Olympic's underwriting and sales and claims offices for Los Angeles operations.

Cook County Blue Goose To Resume Activity Sept. 29

Cook County Puddle of Illinois Blue Goose, which commenced operations only last year, will open its 1958-1959 season with a luncheon at the Atlantic Hotel, Sept. 29.

Activities will include a business meeting in which new officers will be elected and plans will be formulated for a winter dinner dance.



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Diversification Incongruity Noted At Mutual Casualty Conference

(CONTINUED FROM PAGE 10)

niques of one man over another. At any rate, he was not able to pinpoint such techniques.

Harry E. Hudelson, vice-president Mill Owners Mutual, suggested that perhaps part of the solution is multiple line underwriting. In other words, he said, can a questionably acceptable line be weighed against the other lines offered by the agent. Should a line be weighed by the piece or the parcel, and how?

Companies Must Plug Diversity

Lynn Trankle, assistant to the president, Meridian Mutual, pointed out the job advertising and incentive plans can do to change the practice of agents of placing certain classes of business with one company exclusively.

A Lynn Minzey, vice-president Auto Owners, said that the only real solution to the problem can be found in being able to tell an agent clearly why he should give a company more diversified business. A company must earn its place in the agent's office, Mr. Minzey said. Then, too, underwriters must be realistic. They cannot expect only the cream of the business.

A highlight of the conference was the address of S. Alexander Bell, manager Midwest Independent Statistical Service. The staid title of Mr. Bell's talk—"An Actuary Looks At Automobile Acquisition Costs"—belied its highly provocative content. Because of the considerable interest in this talk, it will be reported separately in next week's issue.

Discusses Installment Buying

A panel discussion of premium finance and installment payment plans started off with a bang. Chairman Kelley introduced one "Daniel T. Rowan," who was identified only as a "stock company representative." "Rowan," eventually unmasked as Leonard Kington, agency supervisor, Equity Mutual, described the premium budget plan of Travelers, thinly disguised.

He was followed by George Faunce III, president of AFCO, Paul H. Darling, assistant secretary Iowa National Mutual, and W. W. Swanton, Chicago National Bank.

Mr. Faunce described the advantages of a premium finance plan in general and AFCO in particular. He pointed out that the primary advantage to the agent of a premium finance arrangement is his ability to package an entire line in one account with the insured paying in small palatable installments.

Tells Of Small Finance Company

Mr. Darling described the operations of the small finance company his company operates; Mr. Swanton, premium finance operations conducted through financial institutions like his own.

The concluding speaker on this panel, Norman L. Trebilcock, vice-president Badger Mutual, described various installment premium payment plans approved for use in various territories. He decried the multitude of such forms pointing out the difficulties confronting home office personnel who must deal with the myriad installation arrangements. He urged greater uniformity nationwide.

Panel discussion occupied Thursday morning and afternoon sessions of the non-vested agency section. Supervision of district managers or field super-

Casualty, and Floyd Desch, Farmers Mutual Automobile.

Mr. Hutchins reported that his company pays the new agent just between what he needs and what he wants. This provides him with a six-month guaranteed income of \$75 per week, and after six months, a \$40 a week income plus half commission. Mr. Hutchins said the agent who can operate on this basis in a closed territory will become successful; if a man can't operate under this plan, he'll be a flop in the insurance business.

Describes Plan's Benefits

Mr. Scott said the finance plan his company uses provides qualified men a chance to enter the insurance business full time; a means for supervision by managers; a yardstick for measuring a new agent; incentive; orderly liquidation of any deficit balance; and termination of an agent who doesn't measure up.

The plan has two elements: A base advance which is less than the agent's net minimum budget requirements; in addition, 50% of the commission the agent would have earned.

Some of the advantages realized

from the plan, Mr. Scott said, were that it requires a substantial amount of pre-contract training for the agent; provides incentive of direct commission earnings; enables the agent to become an independent contractor; provides a validation schedule; provides a measure of progress, and eliminates failures at early stages.

Describing his company's plan, Mr. Desch explained that the agent gets a base advance as long as he meets qualifications of the validation schedule; the advance is reduced after eight months. The plan is set up so that if the agent gets off to a running start the first few months, he can cushion the last months when the validation requirements are stiffer.

The manager is the key to making the plan work, Mr. Desch declared. "If we have a well-trained manager, we are going to have a well-trained agent." He added "when the agent gets a running start, he has no problems."

Agents operating under his company's financing program have lower loss ratios, he said, attributing this to the reason that they are better trained and ally themselves with the organization more than other agents would.



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Sees Two Sides To Windshield Coverage—Safety Or Dollars

(CONTINUED FROM PAGE 5)

condition will worsen to where it will prove a real hazard on the highways. Since the accident caused by impaired vision involves a second car, it is everyone's problem. Because a state enforced, uniform national vehicle inspection program is a long way off, it becomes first an insurance problem. One should understand the impor-

tance of the forward vision of safety plate glass. This is set forth in the American standard safety code for the glazing of motor vehicles. With this knowledge, common types of windshield damage can be evaluated in terms of safe driving.

1. On a long trip, a small bull's-eye

will have a hypnotic effect as it constantly reflects the sun into the eyes of the driver.

2. The refraction at night of such damage in the critical windshield area from the headlights of an oncoming car will impair vision at the critical moment before passing.

3. It is difficult to assay the penalty of reduced vision under adverse driv-

ing conditions caused by abraded streaking of the wiper blade over a damaged glass surface. Vision is severely reduced.

4. The inability to see through a badly cracked windshield, and the impossibility of a wiper blade to clean it has to be considered.

5. Add up the millions of moments of blocked vision looking at the damaged spot instead of through the windshield where the danger lies ahead.

Cleaning Windshields Helps

Few safety experts properly credit the safe driving contribution of the gasoline industry that cleans 10 million windshields every day. At the same time, they would agree accidents would increase if they stopped this service simply because many would drive with dirty windshields and impaired vision if they had to do their own cleaning. In the same manner many motorists will spend \$10 to \$20 for safe brakes, but delay, refuse and perhaps never replace a \$100 windshield.

With this understanding, it may be wise for a company writing the expensive related coverages to encourage glass coverage. This could be done by offering a credit in the form of a package policy, or by charging a plus percentage when glass is not insured.

Cites Own Research

My own research supported by other factors proves larger windshields are broken and will be subject to replacement at the rate of 4 or 5% per year. At the end of a five year period 20 to 25% of the cars might be driven with forward vision impaired to various degrees. Extend this period to the life of the car and think how unsafe highways will be.

In the second five-year period of ownership (just now beginning on the few expensive windshields without coverage) the early evidence is not good. Our shops have repeated demands for low priced used windshields not completely shattered for these cars. We don't supply, but the cars continue to be driven.

One sound conclusion for a change can be suggested. A change in the name from comprehensive, fire and theft coverage is in order. When glass coverage accounts for more than half the premium it ought to be featured and sold as Comprehensive Safety Glass, Fire and Theft Coverage. The words safety glass should be used, and plastic parts and other small glass excluded as these have become maintenance items, not insurable items. The windshield, always associated with high cost, has a fine sales appeal at reasonable cost, in the owner's eye. With this appeal, and with the necessary protective feature on the more expensive related coverage, it appears prudent to offer complete coverage.

Twinwrap Creation Unsound

The possible styling benefit of twinwrap windshields appears to be an unsound creation when balanced against these facts:

1. The upper added 6 to 8 inches of expensive curved and shaded glass above the useful vision level does not make any contribution to safe driving.

2. Every owner eventually will have to pay, annually, \$10 to \$25 for the cost of windshield insurance.

3. On older cars, owners will not pay this amount. Without coverage, cars with damaged twinwraps will have to be depreciated \$100 or more at trade-in time. It will be a restricting factor on new car sales.

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windshield is used it presents an added traffic hazard.

5. On a few of the 1959 cars the very large \$200 twinwrap represents an extreme financial burden. Research shows that in many areas the owner will have to pay an annual windshield premium of \$25. In eight years, the life of the car, he will have to pay the equivalent of the windshield's retail price. Apply this eight to one formula to a few more of the 5,000 parts on a car, or a twelve to one ratio on expensive bumpers and grilles, and car sales are restricted as well as insurance sales.

Calls For Rate Increases

Rate increases are in order. Special rating for the large expensive ones is equitable. There has perhaps never been a more opportune time to take this forward step. From my contacts here in Detroit such action would almost guarantee future styling and design benefits all over the car.

These are the suggestions we ask the insurance executive and underwriter to consider. By looking ahead the future can be molded for profit or loss. It must be understood the author makes no attempt to qualify as an underwriter. It is freely admitted that a restrictive policy might be bad for the glass portion of my company's small business, while at the same time, it can be disastrous to safe driving and the insurers' ultimate success.

On the price side—the premium required—it is recommended underwriters seek the help of the two major glass manufacturers. They know the size and price of the various new twinwraps used in 1959 models. Also,

they have the means and ability together with facts and material already printed, to anticipate rather accurately future replacement costs. They are not unfamiliar with this aspect as already published articles have caused some car manufacturers to ask them to evaluate this substantial added expense that their car owners will have to pay.

As we go to press one car manufacturer has drastically reduced retail list prices of current windshield and accepted reduced profits as manufacturing costs have not gone down. This lower profit formula will apply to twinwraps reducing list price \$20 to \$40. It will soften, but not eliminate the need for special rating.

Failure to rate wraparounds in 1954 adequately allowed twinwraps to be designed a year later. Failure again on twinwraps means there is no end to soaring costs.

Nationwide Mutual Makes Regional, HO Shifts

Walter Falck, manager of the Philadelphia region of Nationwide Mutual for the past two years, has been appointed manager with headquarters in Annapolis, Md. His new region embraces all of Maryland, Delaware and the District of Columbia.

Mr. Falck will succeed Grady M. Chesson who goes to the home office as director of agencies.

A. R. Nardi has been named director of sales administration and training. For the past year he had been regional sales manager in Cleveland.

R. L. Arnold, manager of the Harrisburg region, will take over the duties of Mr. Falck.

Mass. Rejects \$100 Windstorm Deductible

Liberty Mutual's filing for a \$100 windstorm deductible in Massachusetts which would save 25% on extended coverage premiums has been rejected. The department ruled that the filing was not a deviation and that the company should seek action through New England Fire Insurance Rating Assn.

Liberty Mutual previously took this course after a prior turndown on the filing by the department, but the bureau failed to act when New England commissioners opposed the move. The company may now ask Commissioner Humphrey for a hearing and then appeal to the courts if the department still holds that the filing is not a deviation. Otherwise it may again ask the bureau to add the optional \$100 deductible to EC filings which now include a mandatory \$50 deductible.

Two Ore. Associations Formed

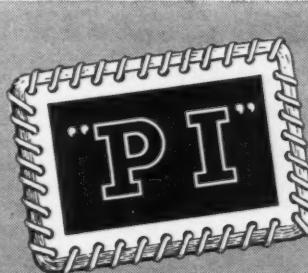
Two local agents' associations have been formed in Oregon. Agents of western Lincoln and Lane counties met at Oceanlake to form Oregon

Coast Assn. of Insurance Agents with Donn DeBarnardi as chairman. At Prineville, Crook County Assn. of Insurance Agents was established. J. F. Daggett was elected president, Silas P. Taylor, vice-president, and Pauline Battlers, secretary-treasurer.

New England Seminars

New England 1752 Club is sponsoring 17 one-day educational seminars beginning Sept. 22 at Pittsfield, and continuing through Oct. 22 at Montpelier, Vt., for agents and agency personnel. The mutual field organization will present a program covering package policies, time element coverages, commercial and residence class casualty coverages. Those on the programs are representatives of the business, leaders from other businesses and members of the club.

Other points at which the one-day session will be given are Sturbridge, North Andover, Taunton and Chatham, Mass.; Providence, R. I.; Willimantic, Hartford and Bridgeport, Conn.; Bangor and Portland, Me.; and Laconia and Manchester, N. H.



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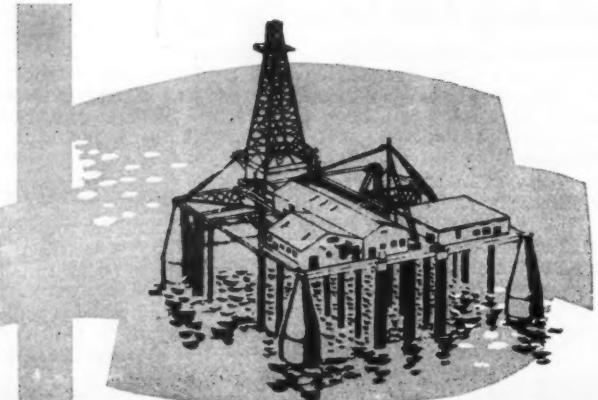
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Sept. 14-16, Minnesota Assn. of Insurance Agents, annual, Hotel St. Paul, St. Paul.
Sept. 14-16, New Hampshire Assn. of Insurance Agents, annual, Crawford House Club, Twin Mountain.
Sept. 14-16, Washington Assn. of Insurance Agents, annual, Chinook hotel, Yakima.
Sept. 15-17, Assn. of Mutual Fire Insurance Engineers, annual, Somerset Hotel, Boston.
Sept. 16-18, Wisconsin Assn. of Insurance Agents, annual, Schroeder hotel, Milwaukee.
Sept. 16-19, Mutual Loss Managers' Conference, annual, Statler hotel, New York City.
Sept. 17-19, Michigan Assn. of Insurance Agents, annual, Pantlind hotel, Grand Rapids.
Sept. 17-19, Oregon Assn. of Insurance Agents, annual, Multnomah hotel, Portland.
Sept. 19-20, Utah Assn. of Insurance Agents, annual, Utah hotel, Salt Lake City.
Sept. 22-24, International Claims Assn., annual, French Lick Springs hotel, French Lick, Ind.
Sept. 22-25, Assn. of Superintendents of Insurance of the Provinces of Canada, annual, Empress hotel, Victoria, B. C.
Oct. 1-3, Society of CPCU annual, Roosevelt hotel, New Orleans.
Oct. 5-8, Conference of Mutual Casualty Companies, annual, Chalfonte-Haddon Hall, Atlantic City.
Oct. 5-8, National Assn. of Mutual Insurance Companies, annual, Chalfonte-Haddon Hall, Atlantic City, N. J.
Oct. 6-7, Conference of Actuaries in Public Practice, Morrison hotel, Chicago.
Oct. 6-8, National Assn. of Insurance Agents, annual, New Orleans.
Oct. 12-15, National Assn. of Casualty & Surety Agents and National Assn. of Casualty & Surety Executives, Greenbrier hotel, White Sulphur Springs, W. Va.
Oct. 17-18, New Mexico Insurers, annual, LaFonda hotel, Santa Fe.
Oct. 19-21, Illinois Assn. of Insurance Agents, annual, Morrison hotel, Chicago.
Oct. 19-21, Maryland Assn. of Insurance Agents, annual, Emerson hotel, Baltimore.
Oct. 19-21, Missouri Assn. of Insurance Agents, annual, Coronado hotel, St. Louis.
Oct. 20-21, Arizona Assn. of Insurance Agents, annual, Pioneer hotel, Tucson.
Oct. 20-21, Insurers of Tennessee, annual, Claridge hotel, Memphis.
Oct. 20-22, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.
Oct. 20-22, National Assn. of Mutual Insurance Agents, annual, Commodore hotel, New York City.
Oct. 22-24, Kansas Assn. of Independent Insurance Agents, annual, Broadview hotel, Wichita.
Oct. 23-25, Colorado Insurers, annual, Broadmoor hotel, Colorado Springs.
Oct. 26-28, Missouri Assn. of Farm Mutual Insurance Companies, annual, Governor hotel, Jefferson City.
Oct. 26-28, Ohio Assn. of Insurance Agents, annual, Columbus.
Oct. 27-29, California Assn. of Insurance Agents, annual, Sheraton-Palace hotel, San Francisco.
Oct. 27-29, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago.
Oct. 28-29, Massachusetts Assn. of Insurance Agents, annual, Sheraton Plaza hotel, Boston.
Oct. 28-29, South Carolina Assn. of Insurance Agents, annual, Francis Marion hotel, Charleston.
Oct. 30, Connecticut Assn. of Insurance Agents, annual, Statler-Hilton hotel, Hartford.
Nov. 6-7, Kansas Assn. of Mutual Insurance Companies, Newton.
Nov. 17-19, Indiana Assn. of Insurance Agents, annual, Claypool Hotel, Indianapolis.
Nov. 20, Insurance Federation of New York, annual, Waldorf-Astoria, New York City.
Nov. 21-21, Conference of Mutual Casualty Companies, accounting and statistical, office methods, and personnel conferences, Conrad Hilton hotel, Chicago.
Nov. 24-26, National Assn. of Independent Insurers, annual, Hotel Fontainebleau, Miami Beach.
Dec. 10, Eastern Underwriters Assn., annual, Biltmore hotel, New York City.
Dec. 15-19, National Assn. of Insurance Commissioners, midwinter, Roosevelt hotel, New Orleans.
Teachers of Insurance, annual, LaSalle hotel, Chicago.
Dec. 28-29, American Assn. of University

Schneebeck In Ohio Field

Robert W. Schneebeck, has been appointed special agent in Ohio for Midwestern Indemnity with headquarters in the home office at Cincinnati. A graduate of Miami University and the University of Cincinnati law school, he has been working in the home office during vacations for several years.



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OBSERVATIONS

Explores Direct And Indirect Problems In Atomic Development

A thorough and scholarly analysis of the insurance problems posed by the risk of peaceful development of atomic energy was presented as a lecture during a course in applied nuclear physics at Milan Polytechnic Institute by Piero Sacerdoti, general director of Riunione Adriatica di Sicurtà at Milan. The paper became available in this country through J. W. Sargent, president of Jefferson of New York, the U. S. subsidiary of Adriatica.

Mr. Sacerdoti emphasizes that the potential catastrophes inherent in nuclear fission require the cooperation of private insurers and governments and the international cooperation of governments and technicians to meet the insurance needs in this area. The potential dangers in atomic development also may, he suggests, further extend the development of the modern concept of liability without fault.

Tells Of Precautions

Noting that the nuclear industry demands a huge investment, which in itself poses difficulties for the insurance business; and that its influences and risks are very widely spread, Mr. Sacerdoti calls attention to the quite complex and thorough precautions that have been set up to prevent a nuclear runaway. The remainder of his paper is presented substantially herewith:

Another source of risk is represented by radio-isotopes which have spread quickly and widely the use of radioactive materials in medical, agricultural, industrial, etc., techniques, and which bring new instruments in laboratories, hospitals, factories, etc., in touch with an extremely varied and numerous public.

More Isotope Users

U. S. Atomic Energy Commission from Aug. 2, 1946, to Nov. 3, 1956, a period of little more than 10 years, recorded 80,409 dispatches of isotopes from the Oak Ridge national laboratory, of which 12,596 were in 11 months of 1956; 5,064 have been supplied to foreign countries, 50 to Italy. It is calculated that the users of radio-isotopes have multiplied by 15 in the last five years and the spread of use is continuing and accelerating.

Until now there have been few injuries. The radioactive source very often is enclosed in well-protected containers to avoid accidental dispersal. This does not obviate all the risk, of course. Some injuries have been caused by imprudence or ignorance. For example, a workman while cleaning the laboratory found a colored "cigarette," put it in his pocket and thought of it again only because one of the radioisotopes had disappeared. The workman took the "cigarette" out of his pocket, but not soon enough to prevent serious injury to his leg.

In another case, a missing isotope was retraced by submitting the personnel, on leaving work, to a check with Geiger counters. The apparatus showed a very strong reaction when a car passed and the isotope was found in the pocket of one of the passengers. The reason for the misappropriation? Curiosity about some of the container's components, without realizing it was a dangerous object.

These injuries, caused by negligence, irresponsibility or theft, fall into a rhythm of accidents which will gradually form the basis of statistical rules for which normal measures of insurance cover are applicable.

Isotopes represent a particular danger to the industries which use them. Their storage requires special precautions in case of fire. The English security measures demand that when it is known that there are isotopes in the damaged building, firemen shall not enter but await the arrival of a specialist. Naturally, the delay in extinguishing the fire may aggravate the extent of the damage, without mentioning the risks brought about by the spreading of radioactive materials.

These additional risks also, which could make more serious those already

causing the fire, can and will be taken into account when determining the premiums, but difficulties are not foreseen for their insurance.

What is more difficult is the evaluation of the danger to third parties during the specific use of isotopes. Recently an accurate study was made in Germany of the risks presented by radiation in scientific, medical and technical institutes and organizations which produce, deal with or utilize isotopes.

This study is based on numerical values and on formulas contained in the recommendations published in 1954 by the international commission of protection against radiation. The radio-isotopes are divided into groups, and the risks of the different internal or external radioactive sources are classified in order to establish tables of values which will be the basis for the formulating premium tariffs for third party insurance.

The problem is not new to insurers; it is analogous to that faced some years ago when the use of X-rays in laboratories and therapy began. At first there were no reliable statistics and insurance was provided experimentally. One can foresee that the same

procedure will be followed for calculating third party indemnity to users of isotopes, only with a more rapid assessment in view of their more widespread diffusion and usage, which will permit, in a short time, a sufficiently extensive basis of experience and statistics.

Another source of danger is presented by highly radioactive "atomic ashes," i. e. the waste which—until it can be disposed of by some self-regenerating system—is expelled by the reactor. The requirements for the deposit or dispersion of this waste are the subject of careful study everywhere.

Tight Disposal Controls In England

In England, these requirements are met by agreement between all the interested authorities; those of the place where the reactor has been built, and the central authority such as the ministry of works, ministry of public health and—since the waste can be injurious to field and animals and especially to fish in rivers and the sea—ministry of agriculture and fisheries. For instance, in the large English center of Harwell, the means adopted for the disposal of waste are very complex. Some of it goes into the atmosphere through tall chimneys, some is put into the tributaries of the Thames in strictly controlled amounts so that the radioactivity of the river is increased only up to a small fraction of the "tolerable level" fixed by the international commission of protection against radiation. This fraction, in order to leave a large safety margin, is a thousandth part of the ICPR level. It has been confirmed that the flow of the river is able rapidly to disperse this slight supplementary radioactivity. Another part is sealed off and sunk in the Atlantic.

Problem Will Grow

Until now this has been a relatively small problem. But in 1965, when in England there will be several power reactors working, it is probable that the waste will reach one or two tons a year. It will then be far less easy to disperse this quantity with complete safety to the public.

In the use of nuclear energy, the disposal of waste under the necessary safety rules, will, in the U. S., cost an estimated 1 or 2 % of total administration expense. The disposal of waste in rivers, for example, is possible when there is little and it is well controlled. This happens in England where the deposits emanate from one center and flow into a single estuary. On the Continent, the Rhine, owing to its large capacity of water, could accept and dispose of the waste of a Swiss reactor. But if other countries (Germany, France, Holland) traversed by this river or its tributaries also wanted to use the current for the same purpose, in spite of every precaution the radioactive materials could accumulate at the river mouth to a dangerous degree.

Other risks may arise through extremely rare, yet possible events. England is not a country where seismic

Cal. Agents Outline Reasons For Plan To Take Insurers To Court On Commissions

In a recent bulletin, California Assn. of Insurance Agents discussed in considerable detail the proposed anti-trust suit against the insurers for reducing automobile commissions. The discussion expresses the recognition of the agents of the gravity of the course they have outlined but states that the overwhelming majority of members of the association are supporting the proposal to sue the companies, more than seven to one. The association currently is "accepting" contributions to finance the action.

One point emphasized by the bulletin is that companies have attempted to reduce producer income 20 to 30% in many ways. "Now they have apparently embraced a proposal that by concert of action through their own unincorporated rating organizations in the guise of a mere adjustment in the rate for costs and expenses and acquisition of business, they can somehow accomplish by indirection what they have always failed to accomplish directly."

Production Cost Factor Cut

Companies fear competition among themselves in agency and brokerage commissions, according to the bulletin. So, to eliminate defection in solving all their cost problems at the expense

of independent agents and brokers, they have "donned their togas as rating and advisory organizations and eliminated competition in this area of marketing of insurance by the device of manipulating downward the production cost allowance in the making of the rates."

The bulletin recalls that studies by the California association in 1952 resulted in adoption of 15 suggestions for eliminating waste and enabling agents to write automobile and other personal lines at the lowest possible rate to match with agency system service. Yet three years passed before any company organization considered these suggestions of sufficient merit even to discuss them with the agents.

Agents Decline Bid To Meet

Agents believe it possible for the business to serve the public properly and at negligible cost—without sacrificing either insurers or agents.

The bulletin states that Pacific Coast Advisory Assn. and National Bureau of Casualty Underwriters after a series of meetings last fall, some of which were supposed to be highly secret, sought to meet with produced organizations in California and Oregon to discuss the reductions from 25 to 20%

(CONTINUED ON PAGE 34)

tremors are frequent, though an earthquake was recorded in the eastern counties in 1884. If there were an earthquake in a zone where a reactor was working, the catastrophe could be tremendous.

Sees "Atomic Panic" Danger

Apart from these extreme cases, the public-facing little-known dangers, which in the main are radiations which escape the five senses and so appear worse since they are impossible to control—is easily stricken by

a kind of "atomic panic" and sees danger even where it does not exist and sometimes exaggerates it beyond its real proportions. Recently, an important English newspaper reported the case of a man, employed in a petroleum company, who used radioactive materials for certain controls. One day, there was a certain amount of radioactive contamination of objects in the laboratory, without consequences to anyone, but making decontamination necessary. The fact became known, and the man, after a time,

sued his employer because people would not go to his home as they thought he was radioactive. His son complained because his friends no longer wanted to play with him, fearing his father's radioactivity. He decided to move to another part of town, but was unable to sell his house because it was considered radioactive. These are exaggerations due to ignorance, but the fact that they have been published by a well known newspaper shows that an echo can be easily produced by this sense of danger and

the unknown which still surrounds the new energy and which must be dispelled by means of a suitably persuasive information campaign.

In view of this wide range of dangers, some normal and measurable, some frightening and more psychological than actual, and others rare and exceptional in character, but possibly catastrophic, many studies are being carried out, particularly in the U. S. and England, to try and establish as far as possible an exact and documented evaluation of the risks. In particular, the American AEC made very accurate and detailed inquiries published March 22, 1957, as "Theoretical Possibilities and Consequences of Major Accidents in Large Nuclear Power Plants."

Atomic Risk Is Low

The conclusion was that the probability of death through a reactor accident in America with 100 reactors working will be one in 50 million, while the probability of dying as a result of a motor accident is now one in 5,000. It is also stated that the risk of death following a reactor accident is equivalent to the risk of flying across the Atlantic weekly for 5,000 years, a proportion which touches the realms of fantasy rather than of comprehension and shows that if there is a possibility of injury to persons it is very remote.

The risk of material damage is rather more disturbing. The accident at Chalk River, Canada, did not cause any personal injuries. But the zone had to be decontaminated and freed from radioactive fall-out by methods which are still in the experimental stage. The cost was \$1½ million and the plant was closed down for two years. The material damages were tremendous for a comparatively minor accident.

More Worry Over Material Damage

This explains why the material damages are evaluated with far less optimism than personal injuries. The hypothetical maximum damage, which would be that of the contamination of a vast area by radioactive particles and the consequent evacuation of the population and loss of harvests, possibly over several years, could amount to between \$500,000 and \$7 million.

The risk of damage or injury in the peaceful use of nuclear energy has made insurance an indispensable cover against the economic consequences, whether for the capital invested in new plants or for social or political reasons. Public opinion and governments cannot be indifferent—where installations hold an element of danger—to controlling the measures taken to prevent damage and injury or, in the case of accident, to their compensation.

In modern economy, insurance is an essential instrument of economic balance; it is a sort of "compensation pool." Are there the necessary requisites in the peaceful development of atomic energy to make this compensation pool work?

Need Atomic Risk Spread

For many risks, certainly yes; as in the use of radio-isotopes, the large employment of which is creating that multiplicity and spread of risk both in space and time which is the prerequisite condition for the working of the insurance mechanism.

This is so also, in all probability, for the risks connected with the preparation and transport of nuclear fuels.

But in reactor usage, there is lacking and presumably will be lacking for

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a considerable time the basis of large numbers necessary for the spread of risk and probability calculation in order to establish premiums.

A primary problem for insurance is the concentration of capital to be covered. An idea of the possibility of covering the world market is indicated by the insurance of the large transatlantic liners, representing until now the maximum in accumulation of risk. The Andrea Doria was insured for \$19 million, about \$8 million for the hull and the remainder for third party claims—one of the largest insurances in force in the world and hardly exceeded by the Queen Elizabeth and the Queen Mary, both with a considerably greater tonnage, and the S. S. United States which, even with a value of \$70 million, is covered for only \$33 million for third party indemnity. Insurance of \$40 to \$50 million dollars on a property liable to total loss (such as a ship) now represents the top limit which insurers over the world manage to cover by collaboration of all markets through coinsurance and reinsurance, which means spreading the risk and premium in quota shares according to the financial status of each company.

World Market Necessary

For nuclear installations, investments in the region of \$20, \$30 (and more) million are mentioned for any one plant. Studies indicate that it will be possible, through agreements between all the world markets, to guarantee even these larger amounts and give nuclear organizations full cover for fire damage and, in general, for material damage which could occur to their installations.

The problem of giving third party cover, which in more rare and serious

circumstances can assume catastrophic proportions, remains open.

As the technical progress of nuclear energy is carried on with an intense collaboration between laboratories and brains in all countries, likewise the field of insurance has immediately grasped the idea that international collaboration and an exceptional effort are necessary to put at the disposal of the nuclear industry the very highest figures possible for the third party liability.

U. S. Shows The Way

The U. S. market has shown the way by creating syndicates in which nearly all companies operating in the American market are participating and which collectively have given a cover capacity of about \$60 million for damage to reactors, and a similar amount in the case of nuclear accidents for third party property or injury claims.

European countries have followed this example. Great Britain, wishing to demonstrate also in the nuclear insurance field the potential and expansive spirit of its insurance industry, in particular by offering its support to its British constructors and exporters of nuclear reactors, has a pool.

During the first months of 1957 a pool for atomic risks was formed in France and another in Germany. Similar organizations now are planned in Belgium, Switzerland and Scandinavia. Likewise, Italian insurers intend forming a pool for atomic risks which will be integrated in the international system of reinsurance between the various pools. This will put at the disposal of the Italian nuclear industry the maximum guarantee obtainable in the world market. This guar-

antee will represent a very remarkable effort for insurance all over the world because it will surpass the covers given until now in other branches, e. g. marine.

Will this insurance guarantee be sufficient, even though it is in the order of many millions of dollars, to cover owners and users of nuclear plants against any demand for third party indemnity? Probably not, because claims in some cases, however rare and remote, might surpass even this amount.

It would appear that the cost of third party coverage demanded for nuclear installations producing electricity, will be somewhat higher than the cost for conventional electricity plants. In the U. S. it is calculated that this cost will be higher for small reactors than for large ones—between 0.5 and 1.2 mills per kilowatt, representing 4% of the cost of the energy produced, as against 4% or .5% which is the average cost of third party insurance for conventional electrical energy in the U. S.

This cost—which is greater also in

view of the fact that much higher indemnities are requested (the ratings previously mentioned being based on a third party indemnity of \$50 million) "does not seem, however, to represent an essential factor in the determination of economic balance in the first production of energy, not even with low-power reactors." This was said by Sen. Anderson when he reported to the American Senate concerning the working of the mixed commission for atomic energy.

Must Think Of Third Party Case

However, the fact that insurance cannot be extended to any and every damage, even if catastrophic, is not without its consequences—the owner who invests huge amounts in this new industry cannot overlook the possibility of third party damages which might absorb all his assets; which eventually, however remote, blunts his initiative. Also, for the constructor, designer, or supplier of individual parts, the disproportion between the economic advantage to be anticipated for their

(CONTINUED ON PAGE 30)

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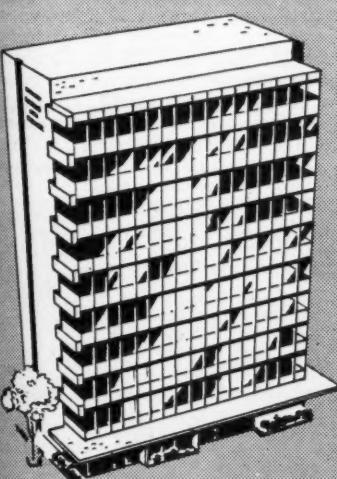
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Editorial Comment

Underinsurance Is A Triple Threat

The Massachusetts Agency Bulletin has put the question of underinsurance in timely perspective by calling attention to the fact that agents and companies have a stake in adequate insurance as well as insured. All three parties may be short changed if agents ignore this question.

The companies, beset by disastrous underwriting results, are seeking economies and have taken some drastic steps, the Bulletin points out. Agents should have as great an interest in keeping business profitable as the companies have, since a cost study would probably indicate that they lose more on unprofitable, small fire policies than the companies do. Yet some otherwise well-run agencies automatically continue to issue household contents policies for young couples for \$1,000 to \$1,500 when such insured probably owe more than that on their furniture and appliances. Such minimum policies are being renewed indefinitely, the publication states.

Another damaging practice cited is that of writing two, three, or even five separate fire policies on a home in different companies. There may have been some excuse for cutting a \$15,-

000 risk into three slices when a company would not take more than \$5,000. There was a point, too, in staggering expirations to provide annual payments with term discounts. But the installment plan and the necessity for companies to write larger lines have made these practices costly. Splitting the \$15,000 risk into three means that instead of one company having a chance to make a profit, three companies will be lucky to break even. The agent who writes the business triples his work and dissipates potential profit in needless overhead.

In emphasizing the question of agency and company expense, the Massachusetts agents have not forgotten the producer's primary responsibility to sell his clients all the insurance they really need. The client has the most to lose from inadequate insurance, but there is a chance that he may never have a loss. Underinsurance, however, means a sure loss for agent and company. This puts the finger on a condition that can be corrected in day to day practice—if agents give it the attention it deserves instead of concentrating on supposedly larger issues. —J.N.C.

Personal Side Of The Business

John V. Clements, local agent at L'Anse, Mich., has been named Republican candidate for auditor general in the Nov. 4 election. Mr. Clements' selection reportedly stemmed from a minor accident involving a plane carrying Republican gubernatorial candidate, Paul Bagwell. The accident forced Mr. Bagwell to take a commercial plane, and his seatmate, an Escanaba attorney, convinced him the Upper Peninsula should be represented on the ticket. Party leaders picked Mr. Clements, who went on to win the three-man race for nomination by a healthy margin.

J. R. Hogan, president of United of Chicago, was named by the Jockey's Guild as its "man of the year"—a tribute to Mr. Hogan's accomplishments as a sportsman and as an owner and breeder of horses at his Wadsworth, Ill., farm "Jacnot," the former Jelke estate which Mr. Hogan acquired about four years ago.



William Piel Jr.

William Piel Jr. has been elected a director of American Re. He is a member of the New York bar and a partner in the law firm of Sullivan & Cromwell, New York City. He has done legal work for the reinsurance company.

Don Forsyth, head of the Forsyth agency of Springfield, Ill., and Sangamon county chairman of the Democratic party, was the recipient of some exceptional praise in the column written by V. Y. Dallman in the Illinois State Register. Mr. Dallman said Mr.

Forsyth's leadership as county chairman has been of the rare kind that attracts volunteer help. Mr. Forsyth is credited with cleaning up the political situation by means of "clear vision and aggressive action motivated by high ideals."

William J. Davey, vice-president of Medical Protective of Fort Wayne and former Indiana commissioner, has been elected a director of American Income Life of Indianapolis.

Deaths

WALTER BEINECKE, 70, chairman of John C. Paige & Co., New York City brokerage firm, died at his home after a long illness. He established the company's New York office and was treasurer until 1926 when he was elected president. He became chief executive officer and chairman in 1953. At one time he was rated among the top 10 bridge players in the world.

GEORGE C. HUGGINS, 65, operator of a chain of agencies in Oregon, died of a heart attack at his home in Coos Bay. He operated agencies in Portland, Salem, Springfield, Myrtle Point, Gold Beach and Coquille.

PHILIP W. BARNES, 67, former vice-president and manager of the New York department of Reliance, died suddenly.

WILLIAM E. BRADY, 66, partner in the Brady Insurance Agency of Wharton, Tex., died of a heart attack.

WILLIAM J. MANNION, 66, vice-president and general counsel of Municipal Ins. Co., Chicago, died in St. Anne's hospital. He was also senior

member of the law firm of Mannion, Mannion & Mannion, a circuit court master of chancery since 1939 and formerly served on the board of managers of Chicago Bar Assn.

HARRY A. KAHN, an examiner in the rating bureau of the New York department, died suddenly. He had been with the department 33 years.

GEORGE A. PETERSEN, 78, former secretary of Great American Indemnity, died at Muhlenberg Hospital, Plainfield, N. J. He had been a member of the New York bar for more than 50 years.

WILLIAM D. VIRTUE, 68, former vice-president and treasurer of Motors and of General Exchange, died in the hospital at Port Chester, N. Y. He retired in 1955.

ISABELLE PETRICK, secretary to Frank L. Ludington, western department manager of Atlas, for about 16 years, died of a cerebral hemorrhage. She would have been with the western department 31 years Oct. 1. Her husband, Robert Petrick, has been with Atlas in the western department for 42 years. An examiner, he is a past president of Assn. of Fire Insurance Examiners of Chicago.

Machine Dispenses Auto Accident Policy

Vending machine travel policies for motorists are now being offered in about 25 installations at motels, garages, filling stations, etc., in Michigan, Ohio, Tennessee, Pennsylvania, Kentucky and Indiana.

Highway Travel Insurance Agency, Indianapolis, which places the business in Secured of Indianapolis, operates this auto business in almost identically the same fashion as the machines for accident insurance on air travel is done at the airport, except that for air the coverage is by the trip and by road it is by the week.

Anchor Tool Co. of Indianapolis is gearing up to turn out 500 of these machines a month. They will dispense \$5,000 policies for a seven day period on an individual, with a limit of \$20,000 at a cost of 50 cents per \$5,000. The policies do not cover military personnel or drivers of auto races or stunt drivers.

However, coverage is provided for seven days regardless of where or how the insured is killed in an automobile accident, even as a pedestrian. Coverage includes truck drivers, bus drivers, etc.

The intention is to have the machines located at motels and other strategic spots throughout the U.S.A.

Imperial C.I. Correction

The ratio of expenses incurred to net premiums written and the combined loss and expense ratio of 1957 for Imperial Casualty & Indemnity of Omaha, shown on page 52 of the 1958 Argus Casualty & Surety Chart are incorrect. The proper expense ratio is 23.5 and the combined loss and expense ratio 85.1 instead of the obviously incorrect 236.2 and 297.8 respectively, as shown in the chart.

Weeks To American Liberty

American Liberty has appointed James D. Weeks special agent for Alabama. He is returning to Birmingham from Florida, where for 1½ years he has been with General of Seattle.

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Vincent Damiani, center, San Leandro agent, receives news that he has won an all-expense-paid 10-day Hawaiian holiday for his family as grand prize winner in a nationwide contest sponsored by Indemnity of North America. Notifying Mr. Damiani of his victory are John T. Curry, left, and Joseph J.



Graham, special agent and manager respectively of the company's San Francisco metropolitan office. Mr. Damiani outsold 6,000 agents in a three month campaign to spur sales of personal A&S policies.

R. L. Jones Slated For Ala. Commissioner

Robert L. Jones, personnel director of Preferred Life of Montgomery, is expected to be the new insurance commissioner of Alabama. If formally appointed, he will take office Jan. 1, the same time as the new governor, John Patterson, takes office.

Mr. Jones has been a friend of the Patterson family for years, and was campaign manager for the new governor's father, Albert Patterson, several years ago.

James H. Horn is serving as insurance commissioner while on leave of absence from the State Insurance Fund, to which post he is expected to return.

Hartford Fire In Cal. Changes

William L. Tucker, special agent for Hartford Fire out of Stockton, Cal., has been transferred to the San Joaquin Valley service office of the group at Fresno. Warren E. Karby goes from San Francisco to Fresno as a special agent and will travel the northern counties of San Joaquin. Jack Haney, Fresno, will travel the southern section of the valley.

Three Bond Promotions By Hartford Accident

Kenneth Moritz has been appointed superintendent of the fidelity and surety department of Hartford Accident's Oklahoma City office. He succeeds Shuril C. Terry, who was named assistant bond superintendent at Dallas. Gerard G. Lizotte succeeds Mr. Moritz as bond special agent in Westchester county, N. Y.

Mr. Moritz joined Hartford Accident in 1952 as a bond claims adjuster. Mr. Lizotte has been with the company since 1957 in the home office bond department and at the New England office.

Dunshee To Hartford A&L. Claim Post On West Coast

Clark L. Dunshee has been named assistant claim manager by Hartford Accident's Pacific department. He has been a field supervisor in the home office claim department five years and with the company 28 years, in charge of claim offices at Newark and Columbus, O. He was on the southern department staff at Atlanta several years.



PROOF

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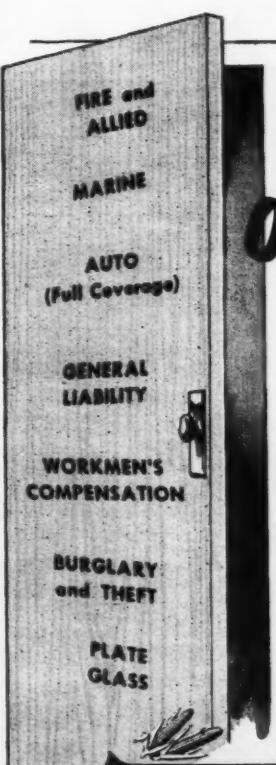
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Insurance Company

MULTIPLE LINE FACILITIES ★ DUBUQUE, IOWA

Minus Signs Fewer In 1958 Midyear Reports

(CONTINUED FROM PAGE 2)

Company	Premises Earned	Losses Incurred	Under- writing Gain or Loss	Invest- ment Gain or Loss	Net Income 6-30-58	Surplus Gain or Loss 6-30-58	Surplus Over 12-31-57
Ohio Farmers Indem.	7.8	4.3	— .5	2	— .1	3.7	— .1
Ohio Farmers	7.8	4.3	— .5	2	— .1	7.9	— .1
Old Colony	8.1	4.6	— .8	.5	— .3	8.9	— .1
Old Republic	2.0	1.0	— .1	.1	— .1	2.9	— .1
Olympic	3.2	1.8	— .1	.1	— .1	3.2	— .1
Oregon Mutual	2.5	1.2	— .1	.1	— .1	2.9	— .1
Pacific Auto	3.1	1.7	— .1	.1	— .1	1.9	— .1
Pacific Employers	10.8	6.2	— .1	.3	— .2	8.5	— .1
Pacific Indemnity	17.3	10.0	— 1.2	.7	— .4	14.4	— .7
Pacific of New York	5.7	3.1	— .3	.3	— .1	13.6	— .8
Pacific National Fire	8.8	4.8	— .7	.2	1.0	21.0	1.6
Palatine	1.3	.8	— .1	.1	— .1	2.9	— .1
Paramount	1.7	.7	— .1	.1	— .1	6.5	— .5
Pearl Assurance	6.0	3.5	— .8	.5	— .3	8.5	— .5
Peerless	7.8	4.2	— .7	.3	— .4	8.0	— .1
Pennsylvania Fire	7.2	4.1	— 1.0	.4	— .5	13.7	— .1
Pennsylvania General	3.6	2.0	— .2	.1	— .1	4.3	— .3
Penn. Lumbermens Mutual	4.4	2.1	— .5	.1	— .6	6.4	— .2
Pennsylvania Millers	2.4	1.1	— .1	.1	— .3	6.5	— .1
Philadelphia F & M	5.7	3.3	— .2	.1	— .9	61.0	6.2
Philadelphia Manufacturers	2.2	.6	— 1.2	.2	— 1.4	9.2	— .6
Phoenix of New York	12.8	7.3	— 1.5	.7	— .8	15.1	— .4
Phoenix, Connecticut	28.8	17.2	— 2.5	.3	— .9	106.9	7.3
Planet	3.6	2.1	— .3	.1	— .2	3.1	— .1
Potomac	12.6	7.2	— 1.0	.7	— .2	15.3	1.2
Preferred, Mich.	2.8	1.2	— .1	.1	— .1	1.4	— .1
Preferred Risk Mutual	5.1	2.8	— .2	.1	— .1	.8	— .1
Premier	2.5	1.4	— .1	.4	— .4	12.4	1.4
Protection Mutual	2.9	.6	— 1.6	.2	— 1.8	11.1	— .8
Providence Washington	11.7	6.4	— .8	.5	— .2	12.6	— .6
Provident	2.4	1.6	— .6	.1	— .5	3.3	— .4
Quaker City	1.2	.7	— .1	.1	— .2	1.8	— .2
Queen City	1.1	.5	— .1	.1	— .1	1.1	— .2
Queen	19.6	11.7	— 1.1	1.1	— .1	31.2	1.3
Reinsurance Corp.	5.1	2.6	— .2	.5	— .6	16.8	1.2
Reliable	1.3	.5	— .2	.1	— .1	1.9	— .3
Reliance	22.9	12.7	— 1.8	1.6	— 2	39.6	3.6
Republic Indemnity	1.2	.5	— .1	.1	— .1	.6	— .1
Resolute	5.7	2.9	— .1	.2	— .2	5.6	— .1
Rochester-American	2.4	1.4	— .1	.1	— .1	11.7	1.2
Royal Exchange	4.0	2.1	— .1	.1	— .1	3.3	— .1
Royal Indemnity	20.8	12.4	— 1.1	1.2	— .1	33.7	1.1
Royal Insurance	15.0	9.0	— .8	.9	— .1	23.6	.9
Safeco	12.1	5.6	— 2.0	.3	— 1.3	7.1	1.2
Safeguard	7.8	4.1	— .3	.4	— .1	9.1	— .3
St. Louis F. & M.	1.6	.6	— .1	.1	— .1	3.7	— .5
St. Paul F. & M.	60.9	32.5	— 1.6	3.6	— 2.0	122.3	11.5
St. Paul-Mercury	8.7	4.6	— .2	.6	— .3	15.4	1.3
Scottish Union	2.9	1.6	— .2	.1	— .1	3.9	— .4
Sea	3.2	1.7	— .1	.2	— .1	6.2	— .1
Seaboard F. & M.	1.4	.7	— .1	.1	— .1	2.5	— .2
Seaboard Surety	4.0	.8	— .4	.4	— .6	14.9	1.2
Security	6.0	3.3	— .1	.5	— .2	14.7	— .1
Security Mutual Casualty	11.6	9.0	— .1	.5	— .2	7.4	— .7
Security Mutual, N.Y.	5.1	3.2	— .1	.1	— .2	3.0	— .1
Selective	2.3	1.6	— .1	.1	— .1	2.0	— .1
Service Casualty	5.5	3.1	— .9	.5	— .8	12.5	— .6
Service Fire	16.3	9.9	— 2.8	1.9	— 2.9	34.2	1.0
South Carolina	1.7	1.0	— .2	.1	— .3	3.2	— .3
Springfield F. & M.	25.3	14.4	— 2.7	2.2	— 5	51.4	3.0
Standard Accident	32.9	19.5	— 3.5	1.1	— 2.4	26.6	— 1.2
Standard, Connecticut	6.0	2.8	— .3	.3	— .4	12.5	1.0
Standard, New York	9.6	5.4	— .3	.4	— .4	11.8	.6
Standard Marine	2.6	1.5	— .1	.3	— .4	4.2	— .1
Star	6.5	3.9	— .3	.3	— .1	10.3	— .3
State Comp. Fund. (Calif.)	23.3	14.9	— 4.8	1.0	— 5.8	19.2	— 3.1
State Farm F. & C.	6.2	2.7	— .1	.3	— .5	9.0	.4
State Farm Mutual	182.6	107.3	— 2.2	6.5	— 6.7	122.4	4.7
Stuyvesant	3.0	1.6	— .1	.3	— .3	5.2	— .5
Sun of New York	5.0	3.0	— .7	.6	— .1	8.0	— .1
Sun, Ltd.	5.2	3.1	— .6	.5	— .1	7.7	— .1
Superior	3.3	1.9	— .3	.2	— .2	2.6	— .1
Thames & Mersey	2.3	1.3	— .1	.1	— .1	3.9	— .1
Traders & General	3.7	1.9	— .1	.1	— .1	1.9	— .1
Transcontinental	4.2	2.1	— .1	.4	— .2	17.3	1.1
Transit Casualty	3.3	1.6	— .1	.1	— .1	3.9	— .3
Transport Indemnity	4.0	2.4	— .4	.1	— .4	2.9	— .1
Trinity Universal	117.4	67.5	— 8.0	4.2	— 2.0	87.4	— 1.7
Underwriters of Chicago	11.4	5.1	— .5	.4	— .1	11.3	.6
Union of Canton	1.1	.8	— .1	.1	— .1	1.0	— .1
Union of London	1.5	.8	— .1	.1	— .1	2.6	— .4
Union Marine	1.5	.8	— .2	.1	— .1	2.8	— .2
United Pacific	10.0	5.2	— .1	.2	— .1	6.9	— .2
U.S. Casualty	13.2	8.4	— 1.6	.5	— 1.1	9.1	— .1
U.S.F. & G.	119.7	64.9	— 4.9	5.5	— 5	111.8	8.3
U.S. Fire	26.1	14.3	— 1.1	2.2	— 1.0	71.5	6.4
Universal	1.6	1.0	— .1	.1	— .1	4.0	— .2
Universal Underwriters	3.0	1.5	— .2	.1	— .3	1.5	— .2
Utah Home	1.5	.9	— .1	.1	— .1	3.7	— .1
Utica Mutual	17.4	9.3	— 1.3	.8	— 2.0	14.2	— .5
Valley Forge	5.8	3.1	— .4	.3	— .7	7.7	— 1.0
Vigilant	2.0	1.1	— .2	.2	— .2	13.2	.7
Virginia F. & M.	2.3	1.3	— .1	.1	— .1	3.9	— .1
Wabash F. & C.	1.8	1.0	— .4	.1	— .4	2.8	— .3
Washington F. & M.	1.6	.8	— .1	.1	— .1	2.6	— .4
Westchester	13.9	7.6	— .5	1.3	— .8	41.0	4.0
Western Assurance	2.4	1.3	— .1	.1	— .1	5.6	— .1
Western Casualty & Surety	12.4	6.2	— .4	.2	— .5	11.9	1.2
Western Fire	7.0	3.8	— .1	.2	— .4	5.5	— .7
Western Millers Mutual	1.2	.7	— .1	.1	— .1	.5	— .1
Western Surety	2.1	.2	— .7	.1	— .6	3.8	— .4
World F. & M.	4.5	2.7	— .1	.6	— 4	8.5	— .3
Yorkshire	4.8	2.9	— 1.0	.3	— .6	4.6	— .2
Zenith National	1.8	1.1	— .1	.1	— .1	.5	— .1
Zurich	36.7	22.6	— 1.8	1.9	— .1	35.6	3.8

Company

RECIPROCAL INSURERS							
Premises Earned	Losses Incurred	Under- writing Gain or Loss	Invest- ment Gain or Loss	Net Income	Surplus Gain or Loss 6-30-58	Surplus Over 12-31-58	Surplus Gain or Loss 6-30-58
American Reciprocal		1.2	.5	.1	.1	.3	9.1
Calif. Cas. Indem. Exch.		5.1	3.1	.6	.2	.9	7.1
Calif. State Auto		11.7	5.8	2.4	.3	2.7	12.2
Canners Exchange		1.8	.6	.3	—	4	4.8
Casualty Reciprocal Exch.		2.8	1.7	—	—	1.7	—
Consolidated Underwriters		3.3	2.0	— .1	— .1	—	2.6
Farmers Exchange		52.9	34.8	— 4.3	1.1	— 3.2	37.7
Fire Exchange		3.1	1.3	.2	—	2.3	—
Auto Club of So. Cal.		17.3	8.8	1.9	.3	2.2	14.2
Lumbermens Alliance		3.1	1.2	1.0	.1	1.1	15.8
State Auto & Cas. Unds.		6.7	3.4	— .3	— .1	— 2.9	—
Truck Exchange		16.5	10.4	— .4	— .4	—	12.1
United Services		18.6	8.3	5.7	.3	6.1	16.1
Universal Underwriters, Mo.		3.6	1.5	.9	—	1.0	3.2

Home Affiliate Is Now Peoples-Home Life

The name of Peoples Life of Frankfort, Ind., affiliate of Home, has been changed to Peoples-Home Life of Indiana to facilitate licensing and expansion of sales in states where another company may be operating under a name similar to the former corporate title.

The change has no effect on company policy or administration. The home office will remain at Frankfort, but the company will now have closer identification with Home and will be able to expand operations on a nationwide basis.

Richard E. Hoefer was named manager of fire operations for Fireman's Fund. He succeeds Clemens A. Fortman who has been named manager of the southern California department's research, development and sales unit. Lawrence E. Ayre has been named assistant manager of fire operations.

Harold M. Steele has become manager of the Fund's southern California auto and casualty department in anticipation of the retirement of George McKay. Mr. McKay will have completed 29 years' service with the Fund when he retires at the end of the year.

No. Indiana Field Men To Organize At South Bend

The first meeting of the newly-formed Northern Indiana Membership Group of Indiana Capital Stock Insurance Assn. will be held at South Bend Sept. 15. The group, formed because of the long distance to meetings in Indianapolis for northern Indiana field men, will organize formally and seven tele-sell films will be shown. William J. Welsh, Springfield F.&M., is the resident vice-president of the northern group.

Sixteen IIIS Members

Western States Mutual of Freeport was omitted from the list of company members of Illinois Insurance Information Service, the agency set up to serve as a clearing house for automobile insurance information. Western States Mutual, an original member, makes a total of 16 companies belonging to IIIS and not 25 as reported last week.

Thomas F. Reynolds, former managing editor of the Chicago Sun Times, is directing the operations of IIIS.

New York Board has elected J. P. McCormick, assistant U. S. manager of Royal-Globe, chairman of the committee on losses and adjustments and a director. F. G. Buswell, vice-president of Niagara Fire, was named vice-chairman of the committee.

American Casualty Has New A&S Branch In La.

American Casualty has opened an A&S branch at New Orleans. Donald Johnson is manager, assisted by Roy L. Green Jr. The office will serve agents in Louisiana and Mississippi.

The company has also created a new A&S policy development division headed by Donald Carlill who will be assisted by George Pfau. In addition to creating new policies and revising existing coverages, this division will also streamline, consolidate and simplify policy forms.

A new sales promotion division is headed by Eugene A. Diemand. This unit will plan, schedule and promote all new and existing A&S programs.

Kemper Sports Show, Newscast On Fall TV

Kemper companies will sponsor the Kemper Football Scoreboard and NBC News, two 15-minute NBC network TV shows in an 11-week package this fall.

The football scoreboard, featuring veteran sportscaster Russ Hodges and Otto Graham, former Cleveland Browns and Northwestern University star quarterback, will be seen on 110 stations following five nationally televised games of the week. Appearing on NBC News will be Chet Huntley and David Brinkley, reporter-analysts. The program will be co-sponsored by the Kemper companies on six successive Mondays and two Wednesdays.

Buck N. Y. Plan To Broaden Minimum Auto Cover Rules

By JOHN N. COSGROVE

NEW YORK—Proposed revisions of regulations prescribing minimum provisions for automobile liability policies subject to the state's compulsory law were opposed by industry representatives at an insurance department hearing here.

William H. Brewster, manager of the automobile division of National Bureau of Casualty Underwriters, urged continuation of the basic automobile liability policy. He and Charles Robuck, assistant secretary of National Assn. of Independent Insurers, agreed that the only changes necessary were brought about by the requirement of 20 days' written notice when an insurer cancels a policy and by adoption of the content of the Steinberg bill. This bill, which becomes effective Jan. 1, 1959 provides for uninsured motorist coverage as part of the compulsory auto policy and sets up Motor Vehicle Accident Indemnification Corp. to handle uninsured motorists' claims.

Sept. 15 For Memoranda

Mr. Brewster requested time to submit a written memorandum on the proposed revisions, and Arthur L. Lamanda, first deputy superintendent, who presided at the hearing, set Sept. 15 as a deadline for all who wish to present data or memoranda. Mr. Lamanda said that after considering these arguments he will confer with an industry committee which was formed at his suggestion at the conclusion of the hearing. Representatives of National Bureau, Mutual Insurance Rating Bureau and National Assn. of Independent Insurers will comprise the committee with three company men to be selected.

William Heinrich of Allstate declared that the proposed revisions go beyond the broadest features of present policies and should not be established as a minimum. He and L. U. Jeffries of Nationwide Mutual agreed that present regulations should continue with minor changes.

Argues For Minimum Cover

Roy C. McCullough, assistant general counsel of Lumbermens Mutual Casualty, pinpointed some of the objectionable broader features. He said the proposed regulations would require a minimum of certain types of drive

other car and of non-ownership coverage. He stated that there was nothing in the compulsory law to compel companies to furnish such protection and echoed Mr. Heinrich's view that if the revisions were adopted, the industry would see the last of any voluntary broadening of coverage thereafter. Mr. McCullough urged that minimum provisions not be set too high or they would tend to become the maximum and therefore restrictive.

Charles Robinson of Meyers & Mathias, Chicago, general counsel for State Farm Mutual, also objected to the granting of additional coverage, particularly with respect to assigned risks.

George Katz, assistant counsel of Aetna Casualty, pointed out that inclusion of drive other car coverage could result in shifting of exposure from an employer to an employee who had this automatic protection.

Need Nuclear Exclusion

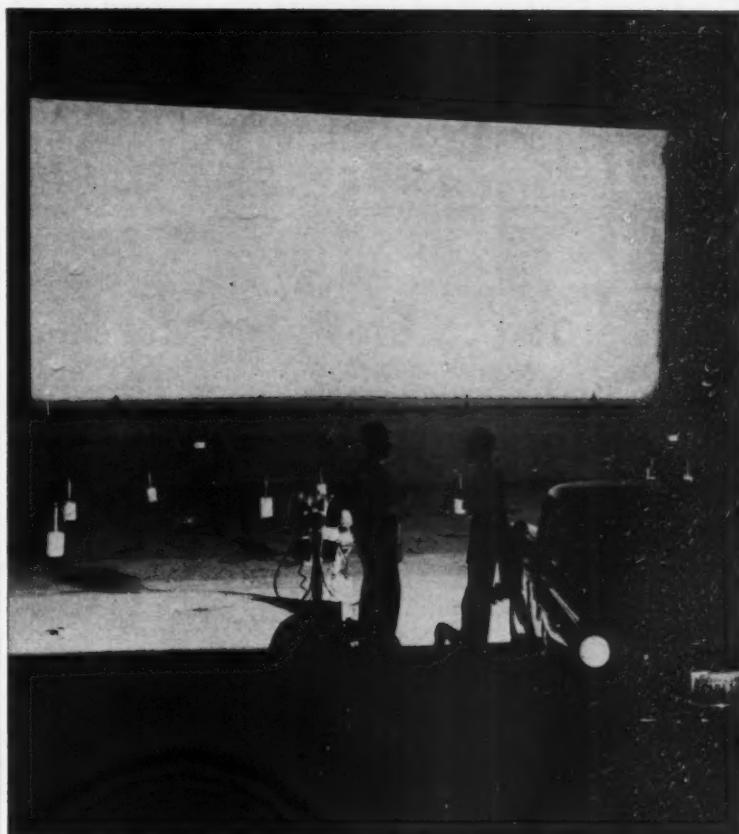
Mr. McCullough called for a nuclear exclusion clause in the proposed revisions. Such a clause already has been adopted in practically all states. He emphasized the forthcoming widespread use of atomic power in peacetime with the consequent creation of tremendous hazards. The nuclear pools were set up to provide coverage for nuclear incidents, he continued, and insured should be covered through these facilities. Mr. McCullough was quite sure that legislators did not have nuclear incidents in mind when the compulsory law was passed, and he observed that there is no provision in the rates to match the potential hazards involved.

Assisting Mr. Lamanda at the hearing were George J. Gross, deputy superintendent and counsel, Joseph E. Collins, Andre Puoy, Frank Harwayne, Milton Shalleck, and William Gould of the department.

N. Y. Board Fire And EC Losses Down In July

New York Board reported 5,445 extended coverage losses for a total of \$2,295,325 in the first seven months compared with 2,789 losses totaling \$1,665,108 in the same period in 1957. In July EC losses dropped to 357 from 547 last year, and the comparative cost was \$154,670 against \$279,666.

Fire losses for seven months were down to 2,374 from 2,583. Loss was \$14,628,266 against \$15,832,650 in 1957. July fire losses were 336 against 338 last year, but the loss declined to \$1,576,035 compared with \$2,579,221 in 1957.



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Explores Direct And Indirect Problems In Atomic Development

(CONTINUED FROM PAGE 25)

services and the risk of being named responsible in possible third party claims is even more conspicuous.

There has grown the tendency for a legislative solution to the problem in the form of a legal limit of liability toward third parties for damages caused in the use of nuclear energy for peaceful purposes, permitting the

reactor owners to estimate beforehand the precise evaluation of their "maximum risk."

This legislation is justified by the general economic interest in the development of atomic energy. With regard to Italy and the countries forming part of Euratom, it is indicated that if within 10 to 15 years there is

not a large scale production of electricity from nuclear sources (i.e. at least 30% of what is necessary, or 15 million kilowatts) industry in the six Euratom countries and their balance of payments could be seriously affected. If, therefore, there is a general necessity for governments to encourage the technical and financial re-

sources of their respective countries to enter this new sector, it seems morally and economically right that the people who will have the general advantages should at least accept a share of the risks.

Also the idea is gaining ground of legislation limiting the rights of indemnity which third parties may possibly request from those responsible for loss or injury incurred, limits which already exist in other fields of human activity. For example, in marine navigation international laws and conventions limit the liability of the ship owner in relation to the tonnage of the ship. The same problem also has arisen in aerial navigation; hence the Warsaw convention.

Liability Limits Pose Problems

However, as is easily understandable, any limitation of liability pose some notable legal, economic, social and political questions.

Article 2050 of the Italian civil code provides that the person who causes damage while pursuing dangerous activities is held liable to indemnify, unless he proves that he adopted all possible means to avoid damage. It is possible to conceive of an objective or casual liability which imposes the obligation to indemnify since the very nature of the activity calls for such rigorous rules of responsibility as to exclude any possibility of exoneration. The application of this "objective liability" is precisely that under consideration for those exploiting nuclear energy, whose little known danger limits do not permit the tabling of preventive measures capable of forecasting each danger with certainty and so of exonerating from liability those applying such measures. The severity of this kind of liability, almost excluding exoneration, justifies a financial limit. He who is automatically liable must know at what figures this exceptional liability ceases.

Compromise On Areas Of Liability

Here the problem of the limit arises. The owner must be "held harmless" over a certain amount of liability if he is not to be dissuaded from participating in this enterprise, seeing the extreme hazard of damage and indemnity which it entails. The amount must be fixed equitably by compromising between the collective and individual interests.

The damages which exceed the stated limit, will they remain the responsibility of the individual suffering them or will the government intervene and indemnify at the collective expense of the taxpayer? In what form? Will it be on a charity basis, as happens today in the case of severe natural catastrophes (earthquakes, floods) or on the basis of a statutory right of the individual to appeal to the government for payment of that share of the damage not indemnifiable by the responsible party?

National Differences Complicate Issue

This leaves the field of law and enters the economic, social and political spheres. Economically, the wealth of different countries varies, in these as in other cases of damage, and likewise the availability of public funds and the possibility of public relief on behalf of citizens suffering an exceptional loss. Socially, some governments have already elaborated very advanced forms of protection, which tend to guarantee the individual at the expense of the whole, and are, therefore, ready to consider every type of damage suffered by the individual and study ways and means of charging the

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one event, for the total damage to property and persons, with a limit of \$24,000 per person. Beyond this amount, a form of government intervention is proposed.

In Italy, the draft law for "the rules for research and development of materials and sources of nuclear fuels and radioactive by-products," submitted to the Senate on Nov. 15, 1956, does not contain any provisions concerning either third party liability or prevention. This omission will certainly be covered by discussions and rules which will have to take into

consideration the general practice and experience of other countries.

On the other hand, those countries such as England and France, which have preceded Italy so far in the peaceful development of nuclear energy, have not yet solved the legislative problems of liability for nuclear accidents.

Have State Nuclear Monopolies

These countries—having state monopoly of electricity—have introduced a kind of monopoly also of nuclear energy. The position of the state as

owner and user has restricted the acute problem of third party liability, up to the present, under the large and anonymous cloak of "responsibility of the civil authorities."

Departing from the experimental and entering the operational stage, the governments have to realize that no state bureaucracy can pretend to develop nuclear energy by itself in the measure imposed by the general necessity of making the new source widely available. For this purpose, a real mobilization of means and ideas and extensive collaboration between

public and private bodies is required. Consequently, there is foreseen in these countries ever more important associations between public and private interests to resolve the numerous and difficult problems. This intervention of private organizations will soon raise the problem of liability, of its limits, and of the possible joint responsibility of public and private parties.

The situation in Switzerland is different. Though it is interested, like other European countries, in the new sources of energy in face of the gradual insufficiency of traditional sources it must take into consideration public opinion, which is very sensitive to the risk of possible damages and not particularly inclined to risk, without suitable guarantees, the existing individual and nationwide prosperity. As Swiss nuclear legislation must be decided by popular referendum, one can foresee that its approval will require wide protective measures for individuals in case of accident. An amount of 20 million Swiss francs was put forth as a reasonable limit for every atomic installation, and 150,000 Swiss francs for every person injured.

Time Factor Is Important

In addition to the limit of liability in terms of money, there is another very important limit—time. How long can the reactor-owner or the depositor of radioactive materials remain liable for damages attributed to them? The first German draft provided for a financial limit but with regard to time mentioned a period of as long as 30 years from the date of the accident for the commencement of judicial proceedings concerning liability. A similar period has been considered in the Swiss draft. Apparently time also has its economic value. If an organization is to be exposed for 30 years to third party claims which are supposed to result from an accident occurring so many years previously, an extremely serious element of insecurity can arise, sufficient to dissuade private investors from engaging in an activity in which the liability can remain alive for so long.

Furthermore, insurers will be unable to continue their cover for so long a time. To have funds available to meet their obligations, they must be able to estimate their annual balances with accuracy. How can they estimate an obligation which might resolve itself in a claim for damages after 30 years? In order to settle this problem, the Italian civil code limits to a period of one year the right of a claim as regards insurance matters, a period also found in the majority of similar foreign insurance legislation.

Effects Of Radiation Unknown

The tendency to fix a long period of time in the law relating to third party actions following nuclear damages can be understood since no one knows as yet what all the effects of radiation will be with the passage of time. A period of 30 years therefore has a precautionary value. If one takes genetic effects through various generations, even 30 years is not enough. However, according to the English medical research council's 1956 report the accurate statistics which have been made of those terrible trial places, Hiroshima and Nagasaki, indicate that increased mortality through leukemia, arising from the radioactive contamination caused by the bomb, has nearly exhausted itself in this first period of six to nine years after the event.

As to probability of damage, there appears to be no reason for main-



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taining exceptionally long periods during which time third party liability actions can be instituted.

However, even exposure to liability in time becomes an item of cost in the new nuclear development. Besides the fact that a nuclear accident was the cause of damage becomes more difficult with the passing of time, the legal complication of bringing liability actions after a long period will increase litigation and trivial actions with the respective cost of defending them. Italian legislation introduced the 10 year prescription in the civil code of 1942 instead of the 30 year period of the code of 1865, and has fixed several shorter periods of prescriptions—maintaining that the long periods no longer suit the characteristics and necessities of increasingly rapid economic life. This point of view seems justified for legal actions in the atomic age and will warrant attention during the study of future nuclear legislation.

Stresses International Aspects

A further aspect of the problem of nuclear damages arises from the international character they can assume.

It was said that a film producing company in Brussels had lost a day's filming through radiation attributed to the effects at long range of Russian nuclear experiments.

Experiments for war purposes are completely separate from the use of nuclear energy for peaceful purposes. However, it proves that certain radiation damages are unexpected and unusual and justifies the governmental worries for injuries and damages which could be suffered by persons and property on their own territory by installations situated in neighboring or even distant countries.

The problems of liability for dam-

ages caused by nuclear development tend, therefore, to go beyond national borders, with all the ensuing complications such extensions can bring.

Under this heading will have to be considered the powers of the court called upon to judge a claim of nuclear origin. These powers will have particular importance in cases having consequences ranging beyond national frontiers and hence involving citizens of foreign countries.

All these legal problems—concerning the financial limits of liability, the time limits, the space limits, the national and sometimes international jurisdiction of courts—are under intensive study, not only by interested quarters and by the parliaments of the various countries but also by international bodies, including those in the area of insurance.

New dangers of claims can be foreseen which in part can enter the sphere of the foreseeable, in prevention and in insurance cover, and in part go beyond this point. However, they will represent an element of risk and of cost which must be considered by the new industrial management.

Depends On Cooperation

The nuclear reality is essentially an international reality; it goes beyond frontiers and poses problems which cannot be resolved either from a technical, economic, legal or social point of view within the limits of any single country.

Therefore nuclear energy helps to develop a feeling of solidarity and collaboration, forcing technicians, economists and lawyers of all countries to compare their opinions to find the way of reconciling and adapting them to phenomena whose size and form were unknown till now. It is

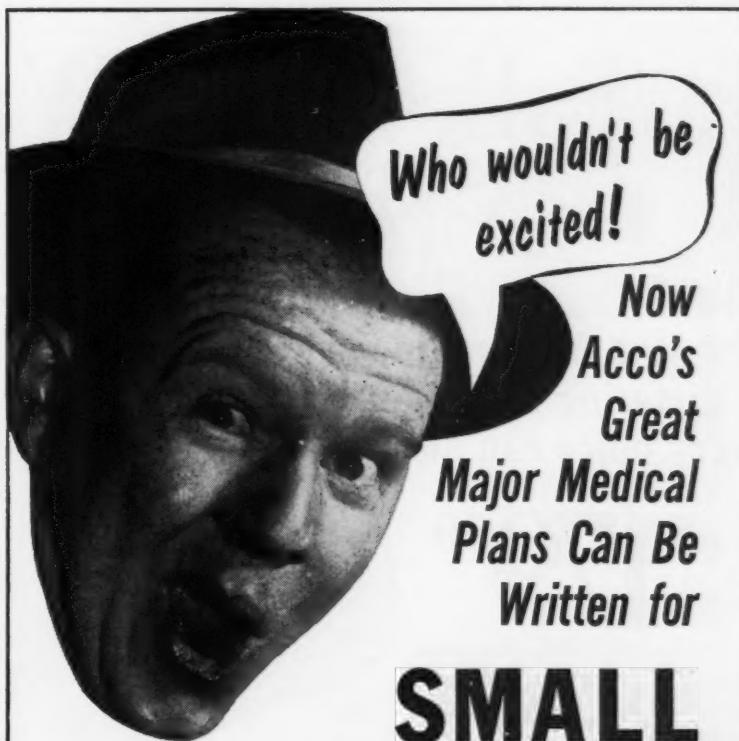
hence a crucible not only of radioactive elements but also of ideas. Conceptions are melting which were originally solid, such as the liability for blame, the right of full indemnity for incidental damages, the absolute power of the national law and court to judge accidents which might injure citizens also in other countries.

gan, president; M. A. Smith Jr., vice-president; and William A. Rainbolt, secretary. Texas City-La Marque association named Allan Bailey, La Marque, president; Don C. Davison, Texas City, vice-president; and A. A. Smith, Texas City, secretary.

Texas Agents' Associations Elect

Two local Texas agents' associations have recently elected officers. Kingsville association elected John D. Mor-

Donald Orbaugh, Indiana, Kentucky and Michigan manager of National Insurance Underwriters, the St. Louis aviation reciprocal, has been elected a vice-president of the company.



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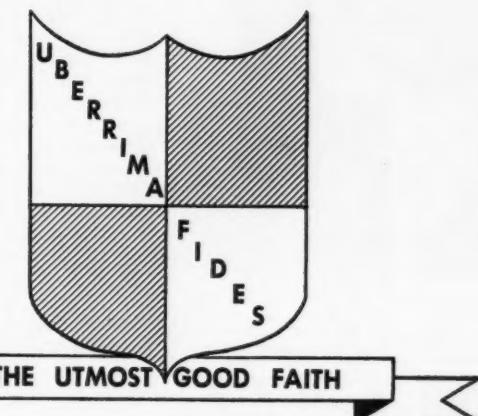
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Cal. Agents Tell Plans For Commission Suit

(CONTINUED FROM PAGE 23)

in the production cost allowance for automobile liability rates.

The California agents declined to attend that meeting and advised a joint bureau-company committee that they did not believe they could "with propriety discuss the indicated rate increases or the proposed reduction in production cost loading with the joint

committee." This was on advice of counsel that in the circumstances known to exist, the meeting might constitute illegal participation in rate making by those not properly licensed as rating organizations.

Counsel at that time advised the California agents that a reduction in the level of commissions to producers

in agreement among insurers would be illegal, no matter what form the agreement took, the bulletin states. The agents did not want to be identified in any way, they say, with what appeared to them to be the objectives sought by the companies. Agents questioned the legal propriety under the anti-trust laws of an agreed reduction in the production cost factor in the rates as a device to lower collectively the rate of commission to be paid agents and brokers.

The meeting with producer organi-

zations was held by the joint committee, which promptly issued a press release stating that the production cost allowance would be reduced from 25 to 20% when the next private passenger auto liability rates were promulgated in California and Oregon.

The bulletin quotes Commissioner McConnell as stating that "the law is very clear that rating bureaus must treat and publish rates they believe to be adequate as reflected by experience and treatise from proper actuarial factors—and they must do this without regard to competition."

Commission Cuts Spur Action

When, on Jan. 22, National Bureau announced substantial rate increases it also announced a reduction in the production cost allowance. Almost simultaneously, according to the bulletin, two of the largest bureau companies announced to producers through mimeographed letters that commissions were being reduced for private passenger automobile liability insurance. Within two weeks, 13 other major company groups issued similar announcements.

By February almost 40 companies in California had reduced commissions. According to the bulletin, it became impossible for individual agents to negotiate satisfactory commission arrangements with the greater part of the automobile insurance market in the state. A meeting of directors was called to which were invited all past presidents. At this point directors voted to retain Joseph L. Alioto, "prominent anti-trust attorney," who notified the companies involved that "unless they rescinded their illegal action reducing commission levels, the association proposed to proceed in federal court," etc.

Court Action Only Solution

The agents say they hoped from the outset that at some stage the companies would consult attorneys, as Mr. Alioto suggested, and rescind their action. The problem was intensified when National Automobile Underwriters Assn. reduced the production cost allowance on PHD from 25 to 20%. At the same time, the bulletin states, authoritative word was received from the east that a similar reduction in the production cost allowance was pending in the residential package policy field.

The agents reason they had no alternative to court action. They had exerted all effort to find some other solution. Company after company reduced commissions, and even so the auto market is shrinking rapidly for many agents in California.

The association maintains that it is protecting the agency system. "We are attempting to justify a particular level of commission. We seek only an atmosphere in which each producer can negotiate with each of his companies a level of commission based on his own performance. In theory, independent agents and brokers still have the right to negotiate a mutually satisfactory level of commission, but such theoretical right has been effectively impaired, if not entirely destroyed, by concerted action on the part of companies in reducing commission levels."

Individual Rights Lost

If, the bulletin continues, the distributor cannot sit down with the supplier on an individual basis and negotiate this rate of compensation, he is no longer independent. Manufacturers and wholesale distributors of all types recognize that they must reward the

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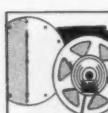
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efficient more than the inefficient, and they compete among themselves in determining the amount of this recognition. California agents have effectively lost their right to negotiate on an individual basis, at least in automobile liability, and so have lost a large measure of their independence. "Our contracts are either bilateral agreements or they are not; we are either independent contractors or we are not. We have reached a point at which we must either settle the matters in the courts or accept the unilateral assumption by our suppliers, the insurance companies, that our contracts have no real mutuality and that we could more accurately be called employees than independent contractors."

Conceding that the consequences of taking the companies to court will create turmoil within the business, the agents nevertheless state that while there are rights and privileges to which the insurers are entitled under rating laws, there are also no less important rights of individual, independent business men, the agents.

Suit Not National Scandal

By taking the top five points off the agent or broker's commission percentage, the companies are taking off in some cases more than the total net profit available to producers after they have met their own substantial costs of doing business, the bulletin declares.

California agents don't think that the prosecution of the suit will create a public scandal. Hundreds of anti-trust actions are in process at this moment in the U.S., and the public by and large is unaware of them, the bulletin comments. They note that the amount of commissions being paid

producers is not an issue here, and that the association is fully prepared to justify legitimate commission levels. They add that the courts were established to adjudicate legal disputes and are the sole means of establishing a definite decision of what can and cannot be done under the law.

The suit will be filed in the federal district court in San Francisco, according to the bulletin. The action will be carried on in the federal court until the final settlement of the matter is reached. The decision was made to file under federal statutes rather than state because it is the federal law that grants certain immunities to insurers. Also a federal court decision will carry greater finality than a state court decision.

The agents also argue that their suit will not bring federal regulation of insurance closer, but will have the opposite effect. It is only when the courts are not enforcing existing laws that Congress adopts a more direct means of regulation, the bulletin states.

W. A. Alexander Appoints Hersey To F&M Post

W. A. Alexander has named James R. Hersey executive assistant for fire and marine underwriting. He was formerly marine superintendent of Fireman's Fund at Chicago for more than three years, and also spent seven years with Providence Washington at New York, the last two years as marine manager.

The Ballard agency of Flint, Mich., operated by Russell L. Ballard, has moved to remodeled quarters at 720 East Second street.

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Richmond Adjuster Saves \$200,000 Loss With Airkem Smoke Odor Service



A fire next door to an important men's shop in Richmond, Virginia might have caused a loss of \$200,000. But quick action on the part of Adjuster P. L. Faison of Siebert Company, Inc. and Airkem Smoke Odor Service saved the insuring companies thousands of dollars.

Mr. Faison arrived on the scene before the blaze was brought under control. Examination revealed no damage to the shop, but the \$200,000 inventory of clothing smelled strongly of smoke. Airkem's Richmond office was called and a few minutes later their Smoke Odor Service representatives were on the job.

Airkem S.O.S. men worked throughout the night. By morning not a trace of smoke odor could be found. However, because of the size of the potential loss, a firm of chemists was called in to make an analysis. They reported no smoke odor present in the merchandise. This effectiveness has been confirmed by other authoritative laboratory tests and the experiences of the insurance industry.

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U.S. Aviation Underwriters Gives Answers

(CONTINUED FROM PAGE 1)

Royal. About 30 British insurers, Lloyds, insurers in Europe and Latin America, and Canadian insurers also write aviation.

Indicative of competition, the statement reads, is the 10 year underwriting profit of USAU through Nov. 30, 1957. On hull premiums of \$78,497,723, USAU earned 6.2% of premiums earned, or \$22,500 average per year per member company. On \$67,874,397 of casualty, the group earned 4.7%, or \$25,792 per year per member company. These are not, USAU avers, the profits of a monopoly.

Has Low Expense Ratio

The expense ratio on ocean marine in 1954 was 35.2, in 1955 36.1, and 1956 37.3; on workmen's compensation it was 34.5, 34.4 and 34.5 for those three years. But USAU had an expense ratio for the three years of 26.7, 28.2 and 22.8 for hull, and 30.4, 27.7 and 29.6 for casualty.

The subcommittee had sought to show that competition was reducing in the U. S., with the departure of Aero Associates from the scene. Here USAU put in a letter from Neville Pilling, U. S. manager of Zurich, which owned and operated Aero.

During the time Zurich had Aero, Mr. Pilling said, competition for business was large enough and intense enough to produce only underwriting losses for Aero.

Aero Lost In Every Year

In 1954 Aero lost \$114,853 in underwriting, on a volume of \$2,748,764 of aviation business written by Aero. In 1955 the loss was \$433,772 on earned premiums of \$3,383,477, in 1956 the loss was \$924,032 on \$4,203,914, in 1957 the loss was \$2,195,207 on \$4,256,265, and in the first half of 1958 the loss was \$1,195,545 on \$2,155,791.

Mr. Pilling indicated that Aero left the market because a share of airline business was essential to continued operation, since such business represented 30 to 40% of Aero's total premium income. But Zurich could not interest other companies in joining it in the Aero venture, and Aero already had strained the capacities of Zurich and Eagle Star, Aero's two insurers, which made impossible assumption of jet exposures.

Could Hold Only 14.2%

However, Zurich wanted to stay in the field and joined USAU. Even though it sought to retain its business and take it to USAU, it was able, because of competition, to keep only 14.2%. Joining USAU was initiated by Zurich and not by Mr. Smith, Mr. Pilling wrote.

USAU suggests that its failure to admit as members every company which has applied apparently is being criticized by the subcommittee. But the subcommittee also seemed to criticize USAU efforts to get Zurich in as a member, which is exactly the opposite of what was done to draw the other criticism of the committee.

Still Opposes Broker-Insurers

USAU reiterates its opposition to broker-controlled insurer competition in the aviation field, such as was furnished by Stewart, Smith & Co. when it owned and operated Aero Associates. It also observed that though

George J. Stewart of Stewart, Smith & Co. testified that over-all the business he produced for underwriters resulted in a substantial profit for them, Aero Associates lost \$4,863,409 on \$16,748,211 of business 1954 through June 30, 1958. There were underwriting losses every year.

Turning to testimony by E. Thomas Burnard, executive director of Airport Operators Council, the USAU statement denied that airport liability insurance is written only by aviation insurance groups. A number of other underwriters insure this risk. The statement also declares that, contrary to Mr. Burnard's testimony, catastrophe exposures do exist when a hull

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worth \$2 million and carrying up to 95 passengers is using an airport. Mr. Burnard quoted one airport operator as stating it bought \$4 million of coverage, which USAU thinks is clear testimony to the catastrophe hazard, and adds that USAU has had requests for as high as \$10 million liability cover, single limit, from municipal airports.

Port Loss Ratio Is High

As to increased premiums, the loss ratio on airport liability 1953 through 1957 on business reported to Company Service Corp. was 51.6. Also material furnished by Mr. Burnard was incorrect on the airport that reported it paid USAU \$5,018 for \$4 million of cover for the three years ended Oct. 1, 1957, though its losses were only \$935. The paid losses were \$400, but there were eight open cases reserved at \$11,450, for a loss ratio of 228. The premium went to \$30,753 for the next three years, but this insurance covers not only the old municipal airport insured under the previous policy but also a newly opened, larger airport. Thus there are two airports, not one.

Aviation insurers did not seek an anti-trust umbrella, as the marine insurers possess in the merchant marine act of 1920, because the aviation insurance business is not a monopoly, USAU declares. Anyway, New York can and does regulate the aviation insurance business, in New York, outside in the U. S., and that of foreign insurers licensed in New York.

The statement reiterates the USAU view that because of the nature of the business and the competition for it, aviation insurers must be left free to exercise their individual underwriting judgment.

The statement also includes in the appendix a list of some practices "considered unsound and harmful" to aviation insurance. These are hull and liability included in one policy rated on passenger miles or total value of hull; removal of policy restrictions against violation of government regulations of civil aviation; arrangements for returning part of premiums to insured without return of commissions of brokers, and without considering the true cost of the insurance.

Also, blanket waiver of subrogation against prime manufacturers and manufacturers of component parts of new aircraft; insuring new type aircraft at same rates as old without recognition that new type aircraft raise new mechanical and design problems; writing three years of coverage at 2% annuals and then permitting annual payment, and insuring hulls as a fleet without limitation on the amount of loss payable for any one occurrence.

Fisher Says Rate Loadings Should Not Lower Commissions

Carleton I. Fisher of Providence, past president and former state national director of Rhode Island Assn. of Insurance Agents, declares in the association bulletin that agents have long memories and when they have to agree under pressure to commission reductions and amendments to agency contracts on certain classes of business, they will remember the companies that did this to them and those that did not. When the current cycle turns, many agency agreements will be canceled and new ones negotiated at the instance of agents rather than companies, Mr. Fisher stated.

He said that many terms are bandied about that may not be generally understood. Among these are acquisition cost and production cost. Neither is synonymous with commissions. Acquisition cost may include, in addition to commissions, the cost of operating company branches, salaries of branch managers, of special agents, and even of home office agency or production department personnel, Mr. Fisher observed. There is no more uniformity in defining production cost, he added.

When bureaus make rates, he continued, they include loadings for various expenses of doing business. These loadings are averages and no single member company's final results are ever actually the same as the purely theoretical loading. One company may deliberately overspread the loadings on claim expense to reduce claim payments and show a net saving. Another may deliberately overspread on home office expense by hiring higher paid and more skilled underwriters who will effect savings through a lower loss ratio. There is no law that a company cannot spend more than the rate loadings, Mr. Fisher pointed out.

Calls Argument Pure Bunk

The same is true of the acquisition cost or production cost loadings, he continued. Company representatives, who either know no better or are desperate for arguments to support commission reductions, have stated that because the bureaus have reduced production cost loadings in certain rates from 25 to 20%, the companies cannot pay more than 20%. Mr. Fisher asserts that this is pure, unadulterated bunk and should be rejected by agents.

A company with a loading of 20% in the rates for the theoretical payment of commissions is not prevented by law or otherwise from paying some agents 25% and others 15%, so that

they would average 20%. Nor is there any prohibition on paying every agent 25% and saving the 5% on some other loading, just as some companies do on claim or home office expense, Mr. Fisher declared.

Cites Executive Salaries

He said that there is no magic in loadings. Every agent is entitled to be paid for what he does and it is up to him to negotiate his individual contract without regard to remuneration other agents may be getting.

Mr. Fisher said he was certain no company would inform one of its top executives that his salary could not be raised because the bureau would not permit the action due to restricted

loading in the rates for home office expenses. Yet that is the argument used when companies ask agents to agree to a commission reduction, he observed. He advised agents not to believe it.

Lannan Is Promoted At Chicago By Royal-Globe

Bertram J. Lannan has been named administrative assistant in the Chicago claims division of Royal-Globe. A claims man in Chicago since 1939, he became assistant claims manager there in 1940 and was promoted to claims manager in 1951. He is a member of the Illinois bar.

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Fire Agents Give Views On Life Selling

(CONTINUED FROM PAGE 17)

face of the confusion that exists in the insurance industry generally, as well as in other lines of endeavor. I have no quarrel with those who urge that the future belongs to those who prepare for it. On the contrary, I believe that change is the order for today. I'll agree that there have been some changes in the buying habits of the

insuring public, but I am of the firm opinion that hot as competition may be, some of the present day ideas about it are wrong as far as insurance is concerned. An insurance executive expressed it as follows:

"Companies and agents must cater to a price conscious public so as to maintain a premium volume large

enough to make possible the use of electronics, with which to reduce costs, in order to be able to offer competitive prices necessary to cater to a price conscious public; so as to maintain a premium volume large enough to make possible the use of electronics, etc., etc."

Personally, this appears to be inaccurate, if not false, and contrary to the evidence before our eyes. Take "big" business as compared with "little" business, and we find that the ratio

between them is pretty nearly static. Certainly technological advances are all on the side of "big" business because of its mammoth ability to seize upon every technological advantage available. The "little" business is handicapped by the lack of practicality in using every technological advance, but it still holds on and maintains its relative share of the gross national product and services. A good question would be "Why?" People and their desire for things and services, plus American ingenuity and enterprise, is my answer.

Sees Two-Way Shift

The theory that the advent of the life insurance producers into the field of fire and casualty insurance is going to be pretty strenuous is no doubt worth considering seriously, but some part of its effect has already occurred. The advent of almost an equal or greater number of persons whose principal background is assumed to stem principally from the fire and casualty business into the life field has also occurred, and both of these occurrences have wrought no startling changes. There is no basis for believing that the average life insurance producer is a dedicated salesman, expert in the art of sales promotion, and with the widest personal contacts, or that the casualty and fire producer is not equally well qualified in his own field. Neither is there any basis for assuming that sincerely interested life producers cannot do well in the casualty and fire field, nor that his counterpart in the fire and casualty field cannot attain a substantial equivalent participation in life.

I'll agree that the life insurance producer functions under a plan of operation maintained by the life companies which frees him of policywriting and collection obligations, whereas his legitimate casualty and fire counterpart undertakes practically all details incident to delivery of the policy contract and all service required thereafter, including the extension of credit, with the possible exception of partial claim handling. It is fruitless to say that the handling of all these multitudinous matters is economic nonsense. For if the agent does not undertake them, there is no particular need for his services other than for sales promotion. The life producer as such is simply not fitted or trained in the mechanics of these phases of the fire and casualty field to give these services. By the same token it is to be doubted that the casualty and fire producer is qualified to give all the life services which may be required, although it may be well to note that life contracts are long terms, and that, generally speaking, there is only one major cause for claim handling, namely death of the policyholder.

Considers Economic Aspects

Now let's examine the drift toward life affiliation of casualty and fire insurers. Are there not some pretty serious questions to be raised as to the validity of the economic side about this trend? For the main purpose of this discussion, let's assume that 90% of the life insurance of this country is written on the mutual or participating plan. Is it to be assumed that such mutual insurers can enter the fire and casualty field without the consent of their policyholders, or that such consent would be readily obtainable and that all necessary changes in state laws could be effected? Is it not true that the fire and casualty companies can invest in or organize their own life insurance company? Many companies have done so already, and in



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sign of faulty conditions. And if they find it, they report it and outline steps for correcting it. Result—business as usual, often with added years of useful life for the boiler or machine.

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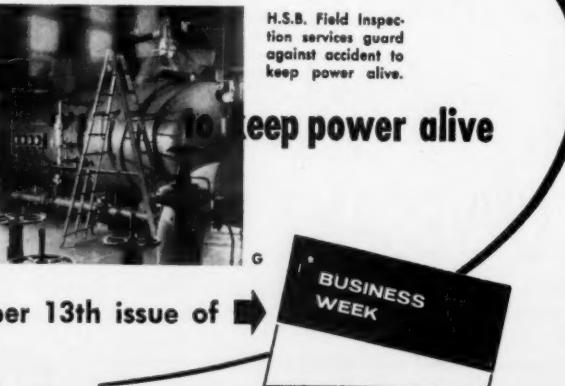
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This advertisement in color in the September 13th issue of **BUSINESS WEEK** refers its readers to you



fact the number now exceeds 105. Certain facts seemingly have to be recognized. Among these I would first suggest the redundancy in the mortality table in use. No uniform statement can be made with regard to actual mortality in relation to that projected by tables used, but suffice it to say that somewhere between 20 and 30% redundancy could be said to exist on present day contracts, while if we go back to 25 to 30 years, a greater redundancy will be found to exist. This redundancy, arising out of favorable advances in medical science, has tended to make mortality savings an important financial bulwark to permanent financial security, and to permit the company to make disbursements by way of dividends to policyholders of mutual companies at a level which, but for the redundancy, could not be achieved. The stock life insurers have availed themselves of this economic advantage and adopted more and more competitive practices, issuing combination family policies, gradation of premium according to size of policy, etc., etc. The rapidity of growth of these companies has been extraordinary. But let's assume that the life insurance industry as a whole adopted more realistic mortality tables than those now in use as to future life insurance contracts—would it not follow that the wherewithal to meet competitive practices would be lacking to the extent that the redundancy was reduced? As I see it, the effect would be to reduce proportionately the funds available for insurance expense other than acquisition cost, and hence, tend to make them less competitive. Any course of action for changing from presently adopted and used mortality tables to more realistic tables would certainly be apt to effect the smaller life companies more seriously than it would the major giants of the life insurance industry. These casualty and fire affiliated companies would certainly seem to be in this class.

Special Problem For Large Insurers

The larger mutual insurers seemingly have a special problem involved in the factor of discrimination against their old policyholder where the contract was predicted upon mortality tables even less liberal, in many instances, than those now in use. If some special dividend treatment for life policyholders can be devised, without again involving the possibility of discriminating against a policyholder whose contracts are predicated on varying and different mortality tables, the problem can be solved and, in fact, I believe there is now a movement to do so.

The idea of one-stop insurance service cannot be fought off, but it seems equally absurd that we in the agency business are going to be able to or be forced to tear up all of our present ideas of doing business. It seems equally ridiculous to think that the major life companies are going to allow the Johnny-come-lately life companies sired by the casualty and fire groups to grab the ball and run even if the parent is a seasoned operator and well-heeled financially and able to avoid to some considerable degree the usual development expense necessary to create a field and producer force.

I do not think the producer agency can afford to become a specialist with certain exceptions, and more particularly as to the need for operating on a departmentalized basis. For instance, we were at one time general agents for the credit insurance department of

one of the relatively few companies doing that kind of business. That line is still a specialty, but after waiting around over a year to find a replacement of our deceased vice-president who ran our credit insurance department, we turned the business back to the company on a participating service basis that ran along for many years. I do not think that many producers know much about credit insurance business today.

Discounts Multiple Line Pressures

As far as multiple line companies exercising pressure upon us to give them our life business, I do not think we shall have much trouble, as we are making an underwriting profit. We do not refuse to recognize their problems, but try to anticipate that companies that are making an underwriting profit in any agency are not likely to upset the apple cart.

We believe a life department is an essential competitive facility because all major companies gradually are going full multiple line, and we established a life unit this year. We use our own life specialists, and we plan to use a monthly premium plan for both personal and commercial coverages. Possibly companies will regard auto business more favorably if submitted by an agency that produces life insurance for it.

We don't believe life is essential because life and property insurance are entirely different and serve entirely different purposes. Each should be handled by a specialist. We don't have a life department, nor do we use a monthly premium payment plan. We do not plan to open a life unit. Perhaps later on companies will favor the local agency producing life business but my companies don't have life departments.

We think life is essential and we have had a life division 20 years, with our own specialists. We don't use a monthly premium plan.

Out of the total number of replies received to the questionnaire, more than 83% indicated they thought the local, independent property insurance agent needed a life facility to meet competition, to defend fire and casualty business, or to increase profits—or all three.

Almost exactly half of those agents responding already operate life departments.

Buck Of Reliance Retires

Louis F. Buck, assistant secretary of Reliance and assistant manager of its New York branch, is retiring at his own request Oct. 1. His career of 45 years also includes experience as an agent and special agent. He has been at the New York office since its establishment in 1930.

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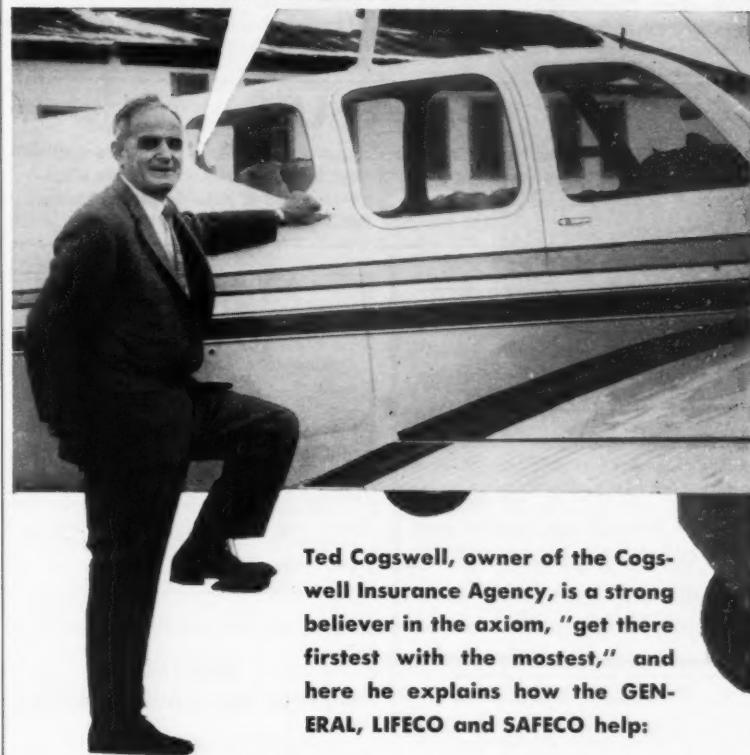
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Self-Insurance Not "Other Insurance," Texas Court Holds

Texas court of civil appeals, in *Home Indemnity vs Humble Oil*, (14 CCH—Auto 2nd—1364) answered a question which has been discussed in insurance circles for a long time. It

held that self-insurance is not "other insurance" within the meaning of automobile drive other cars coverage.

Humble Oil had qualified as a self-insurer under the Texas financial responsibility law. This portion of the law provides, among other things, that the certificate must include "an agreement by the self-insurer that . . . he will pay the same judgments and in the same amounts that an insurer

would have been obligated to pay under an owner's motor vehicle liability policy if it had issued such a policy to said self-insurer." Like most financial responsibility laws, the Texas statute requires that an owner's policy cover the liability of anyone using the vehicle with the insured's permission.

Cole, an employee of Humble Oil, used one of the company's automobiles in business. He also owned an automobile and was insured by Home Indemnity. The opinion does not indicate what policy form or endorsement was involved, but it probably included broad drive other cars cover, since there was no disagreement about it covering his use of this regularly assigned employer-owned automobile. While driving Humble Oil's automobile on a personal errand, Cole was involved in an accident. The drive other cars feature of Home Indemnity's policy had the usual provision that it was excess over other available insurance. After an argument over coverage, Home Indemnity, with the consent of all parties, settled with the injured person for \$8,400 and brought suit against Humble Oil for this sum, on the ground that its self-insurance amounted to "other insurance" and consequently was primary coverage.

Affirming a lower court decision against Home Indemnity, the appeals court held that this filing did not constitute insurance, but rather a substitute for insurance authorized by law—that there are many differences between a contract of insurance and the option given Humble Oil and other automobile owners by the statute. Among other points, the opinion stressed that Humble Oil, by law, had no power to engage in the insurance business and could not lawfully obligate itself to "indemnify its employees against loss resulting from their negligent driving." Consequently, Home Indemnity was held to provide primary coverage.

This decision may not be entirely conclusive, because it was admitted, for purposes of the case, that Cole was not on his employer's business. Texas does not have a vicarious liability law of the type which makes the owner of an automobile absolutely liable for negligence of the operator. The claim was against Cole personally and not against Humble Oil. However, where an employee, with drive other cars insurance covering an accident, is clearly on his employer's business, the opinion practically tells the attorney for a self-insured employer how to plead his case. It points out that, in such cases, the primary liability is that of the driver and a self-insured employer, after paying a judgment based on the driver's negligence, can proceed against the driver for reimbursement.

ICC Clarifies Its Stand On Fronting, Filing By Insurers

Interstate Commerce Commission has written THE NATIONAL UNDERWRITER, among the article in the Aug. 1 issue on fronting and filing by insurers.

In view of the recent publicity given to the action of state insurance departments as respects fronting filings for unauthorized insurers, it is felt that the following information will clarify the commission's position:

On Nov. 6, 1957, a bulletin was promulgated to all insurance and surety companies qualified with the commission which read as follows:

Held Informal Conference

"As a result of an informal meeting with a representative group of insurance and surety company officials, whose companies are authorized by this commission to file evidence of public protection on behalf of motor carriers operating under authority of this commission, the following action has been deemed expedient:

"1. All insurance and surety companies making insurance and/or surety filings with this commission are requested to sign the agreement attached hereto (unless such agreement has been previously submitted) and return one copy to the bureau of motor carriers, ICC.

"2. No company will under any condition file a certificate of insurance with this commission unless it has issued and delivered to the motor carrier named therein a policy of insurance to which endorsement BMC 90 or BMC 32 has been attached. The wording of the certificates makes it a fraudulent act to do otherwise.

Exception Is Noted

"3. Under certain conditions, it is proper for a bond to be issued in behalf of a motor carrier where no direct contractual relationship exists; however, in each case where such bond filings are made the filing must be accompanied by a letter or memorandum indicating the name of the company, group, or underwriters, etc., in whose behalf the filing is made. If further information concerning such filings is desired, in individual cases, it will be requested.

"4. Any company who may at this time have on file with this commission certificates of insurance or surety bonds which are in conflict with the letter or intent of this notice and agreement will so notify the section of insurance, bureau of motor carriers, immediately, setting forth each case individually."

The agreement referred to in the bulletin reads as follows: "This is to certify that (name of company), which company is authorized to file certificates of insurance and/or surety bonds with ICC, will have a direct contractual relationship with each and every motor carrier on whose behalf it files a certificate of insurance and/or surety bond. If no such relationship exists, we hereby agree to notify the bureau of motor carriers, ICC, and will furnish said bureau with full information regarding any such filings."

September

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Too High Or Too Low, Liability Limits Pose A Real Problem

(CONTINUED FROM PAGE 1)

WC or instituting a negligence action. In this case an employee was injured, he sued the employer, and got a \$61,000 verdict.

In another case, insured was driving along a street when a child darted from behind a parked car and was killed. The attorneys for the insurer could not settle the case within the limits of the policy. The verdict was for \$18,000, limits was 10/20, and insured contributed \$8,000 out of his own pocket.

* * *

An intersection collision resulted in the death of two persons and injury to others. Insured died. Insured had carried 25/50 limits, but one suit by the widow of one of the passengers killed in the other car resulted in a verdict of \$45,000. It is observed that if the claimant is a widow in her 40s with children, the verdict tends to be much higher than if she is a widow in her twenties or early thirties and is remarriageable. If she remarries before the case goes to trial, the award tends to be substantially less.

* * *

Another insured had 25/50 limits—and a chauffeur driven Cadillac. There was no question about liability, the settlement was for \$33,000, and insured paid \$8,000 over the coverage.

A public utility was sued by a claimant who allegedly tripped over an object left by the company while making some repairs in the street. Insured rejected an offer for \$75,000 and secured a \$115,000 verdict. The company carried \$25,000 top limits. The case was compromised at \$85,000 and insured paid \$60,000.

An individual auto insured carried \$5,000 PDL limit. His car got out of control, hit a couple of parked cars, broke off a parking meter, crashed through the window of a store, and ended up inside the emporium. Damage to the store was \$12,000, and each of three concessionaires suffered property damage of about \$2,000 apiece. This will cost insured \$15,000 over the insurance, if he can scrape up the money.

In another instance, a roofing contractor was fixing the roof of a church when a spark from his blowtorch set the place on fire and burned it to the ground. It was worth about \$300,000, and the contractor had PDL limits of \$25,000.

* * *

A successful and wealthy contractor, against the advice of his agent, carried a BI limit of 25/50 on both his general liability and automobile policies. One of his trucks ran into the side of a freight train. A brakeman was thrown off the box car onto the rail and lost a leg. Insured was sued. A separate suit was filed against the railroad under the federal employers liability act. The suits were consolidated for trial and resulted in a joint verdict of \$250,000. The insurer made its \$25,000 available, but insured's attorney had refused to recommend any contribution by insured. On appeal, the supreme court reversed the case on the question of legal liability and damages as to the railroad, but solely on the question of damages as to insured. The case was then settled by a payment of \$150,000, representing insurer's \$25,000 plus \$75,000 from insured, plus a \$50,000 contribution by the railroad.

Even a \$1 million PDL limit under its public liability policy proved inadequate for a manufacturer when its employees, servicing equipment in a plant, negligently damaged machinery, causing the plant to shut down for six months. Direct damage was \$800,000 and consequential, including loss of profits, brought the figure to \$2 million. Settlement was effected at \$1,400,000 with a contribution from a potential co-defendant. Insured paid \$35,000 as its uninsured share.

Insured, operating a successful plumbing business, had a BI limit of 25/50 on his trucks. One of his employees parked a truck on a hill, the truck ran away and struck a pedestrian, causing serious injury. Settlement was finally effected for \$38,000, representing a \$13,000 contribution by insured.

* * *

A workman was employed by a contractor who had been engaged to do construction work within the plant. The workman's duties required him to climb a ladder to reach a catwalk alongside the rails of an overhead crane. Upon reaching the catwalk the workman proceeded to step around a vertical column, but instead of stepping outside the column he stepped inside just as the crane approached and thus became caught and crushed between the crane and the column. He was 35 and was survived by a widow and eight children. His estate sued and obtained a verdict for approximately \$123,000, \$23,000 in excess of the policy limit.

* * *

Insured was sightseeing when his automobile was involved in a violent collision at a highway intersection. The other car was occupied by three sisters. Insured and two of the young ladies were killed instantly; the third sister died about 10 days later without giving any coherent account of how the accident happened. The accident occurred at a right angle country intersection. One highway was a through highway and the other was governed by an arterial stop sign. Although there were no eye witnesses, it was quite evident from the vehicle damage and the position of the vehicles after impact that our insured had failed to stop for the stop sign against him, and this was a case of liability. There is no statutory death limit in Florida. The policy limits were 50/100. All three death cases were consolidated for trial. The first day of trial these cases were settled for a total of \$112,000. The \$12,000 paid by insured's representative entirely depleted his estate.

* * *

An employee of a rancher drove onto the highway without stopping for a sign, and was struck by a car driving at high speed along the highway. The two people in the front seat of the third party vehicle were killed and the two in the back were very seriously injured. Limits were 50/100. We paid \$100,000. Insured paid \$75,000, and the insurer on the third party vehicle contributed \$7,500 to the passengers.

Another insured with 10/20 coverage had an accident. The case was tried, and a verdict of \$28,000 returned against insured, who was \$18,000 shy on limits.

Insured with limits of 25/50 ran into a stop sign and collided with a car in which the driver and his wife

were seriously injured. The case of the wife was settled for \$20,000, the husband's case was tried, and a verdict returned for \$150,000. A demand for \$41,000 had been made, which would have meant the insured would have had to pay \$16,000 of his own money. But he refused to do this, and the verdict resulted. The court entered a remittitur to \$100,000 and this amount was paid. The insurer paid \$25,000.

A snowstorm was in progress and insured volunteered to take several pupils home early rather than have them wait for the school bus. While driving the car on which limits were 10/20 the auto collided with a freight train, resulting in severe injuries to the pupils. The insurer has paid its policy limits. Insured, with a small farm and some vacant land, has mortgaged her property and has contributed \$5,000 toward the settlements.

Insured, a millionaire, had 5/10 limits and, of course, the inevitable happened. He was involved in a very serious accident. The driver of the other vehicle was killed. The insured was also killed. Litigation ran the gamut. The insurer tried to make settlement by putting its entire \$5,000 policy limit into court, but this was refused by the opposition, who realized insured had plenty of money to back up any judgment. Settlement was finally made for \$35,000. Insured's estate put in \$30,000.

* * *

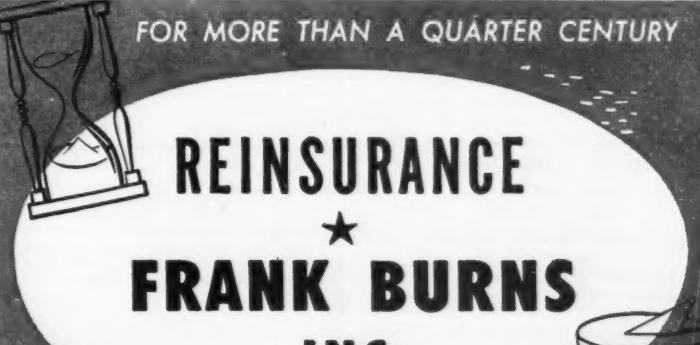
The plaintiff, head of his own mar-

ine survey company, was engaged by a pier operator to survey the damage following a fire on the pier which was of catastrophic proportions, requiring four days for firemen to extinguish. The pier was very badly damaged and the floor in many places burned through and the pilings and supporting beams badly damaged. While making his inspection the surveyor went into a danger area where a portion of the floor gave way, precipitating him into the waters of the river. He sustained severe injuries to one leg, which resulted in its amputation, and additional injuries to the other leg. Trial of this case resulted in a verdict of \$300,000, or \$50,000 in excess of insured's policy limit.

Insured maintained a large storage tank for oil near navigable waters which were also enjoyed by a great many persons as a vacation center and for summer homes, with beaches, boats, boat houses and docks.

The storage tank collapsed and spilled a large quantity of oil into the bay. The oil spread out over a large area and damaged all it came in contact with, such as sea walls, docks, boats, boat houses and beaches, and made certain properties non-useable such as resort hotels because the beaches and boating were unattractive to tourists. All damage was to property. One of the unusual things about this loss was that property was sometimes damaged two or three times. After a boat, dock or beach was cleaned of oil it was not unusual for the wind or current to bring oil floating uncontrollably on the waters into contact with the same object again.

Insured had coverage with limits of



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\$1,050,000. The entire policy was exhausted in cleaning up the damage. After exhausting the insurance, there were innumerable claims unsatisfied which were left to the sole account of insured. This cost to insured is unknown. But based upon the damages paid by the policy, those left to insure must have amounted to approximately \$250,000.

* * *

A unit of a bus line was involved in a collision with a private passenger car. One occupant of the latter was

severely injured and won a judgment of \$75,000. The bus company carried a liability limit of \$10,000. After the judgment it went into bankruptcy and out of business.

A surgeon with a 5/10 malpractice policy was delivering a child. The anesthetist delivered the wrong mixture of nitrous oxide and oxygen which were being furnished from two separate tanks, and the expectant mother died. The hospital was immune from actions for negligence. The anesthetist did not have two dimes to

rub together—he was still taking his medical training. The policy paid the full \$5,000, and the doctor paid \$1,500 out of his own pocket.

The operator of a candy and magazine store had a man come in at noon to look after the store while he went to lunch. The clerk was on duty one day when a high school boy came in to look at magazines. The clerk, noticing the proprietor's revolver in the cash register, thought he would have some fun and pulled out the gun. "Put 'em up," he ordered. The boy's reac-

tion was "nuts," and the clerk pulled the trigger. The bullet hit the boy's spine, and he became a paraplegic. The top single injury limit, \$25,000, which the merchant carried, was paid in full, and the merchant paid \$7,500 out of the cash register as his contribution to satisfy the \$32,500 award.

A rigging contractor with liability limits of \$100,000 was the victim of an award of \$167,000. A workman employed by a subcontractor was sitting under a huge steel plate during the noon hour when the plate fell and severely injured him.

A motel operator who purchased \$100,000 limits was held for a \$125,000 award when gas exploded in one of the motel units and killed two people.

A unit belonging to a semi-long haul trucker was operating in the fog when a car ran into the rear end. Trucker carried a liability policy with a \$60,000 limit. The company fought the claim, but the verdict went to \$67,000.

An oil well producer hired a service company to make some repairs. One of the latter's employees was injured, sued the producer, and recovered a \$58,000 verdict, which meant that insured ended up by paying \$8,000 out of his own pocket.

* * *

A recent automobile case tried in Florida produced a verdict of \$150,000 against coverage of \$100,000.

A similar case tried in the Boston area produced a verdict of \$70,000 against coverage of \$20,000.

A Connecticut auto case produced a verdict of \$75,000 against coverage of \$20,000.

The automobile BI limits were 25/50. An intersection accident involved a 16-year old boy riding a motorcycle. He sustained brain injuries which caused partial paralysis and some mental impairment. The settlement demand was \$50,000. Insured refused to contribute a sufficient amount beyond policy limit. Suit resulted in a verdict for plaintiff—\$85,000, which was sustained by the state supreme court on appeal. The judgment was satisfied when insured paid \$60,000 out of his own pocket.

A transportation company carried an automobile PDL limit of \$25,000. Insured truck, transporting gasoline, overturned. The resulting fire damaged property in excess of \$100,000. The multiple cases were settled for \$41,500. Insured's payment of \$16,500 was spread over a three-year period to avoid bankruptcy.

A supply company had auto BI limits of 25/50. Insured truck, operated by an intoxicated employee, crossed to the wrong side of the road and struck the adverse vehicle head-on. Three BI cases resulted, one of which will bring recovery far in excess of policy limit for one person.

A cleaning concern carried auto BI limits of 25/50. Insured's truck swerved to wrong side of road as the operator reached down to prevent a package from skidding across the truck bed, resulting in a head-on collision with the adverse vehicle. One claimant, a 43-year old woman, sustained severe brain damage, loss of speech and paralysis of left side of the body. These cases are not yet settled but disposition of this one serious case will be for well in excess of \$25,000.

A physician carried malpractice coverage with 25/75 limits. It was alleged that he negligently performed an operation for improvement of circulation in the legs of a patient and caused a thrombosis and subsequent

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amputation of both legs. If claimant is successful in prosecution of the action, as seems likely, recovery will be far in excess of the policy limit for an individual.

* * *

In our company we know of only one case in the last several years where the verdict involved an amount over the limit of our policy. This involved a lumber dealer who carried limits of \$15,000 for one person. The verdict was \$35,000 and at no time could the case have been settled within policy limits. The firm was a substantial one and the limits sold should have been higher.

This subject is an important one from two angles. One, the agents know they should properly insure their clients. Two, the plaintiff's attorneys are the ones who try the cases and endeavor to get excessive verdicts for their clients, to the detriment of the insurance business. Agents should properly advise their clients on what limits they feel should be purchased. On the other hand, would it not be detrimental to the insurance fraternity as a whole to give a great deal of publicity to many unreasonably excessive verdicts, ones far and beyond what they should be. Of course there should be just compensation for certain injuries, but greatly excessive compensation is not sound from any point of view.

* * *

Another insurance executive writes that liability underinsurance is difficult to determine because claims are usually settled within policy limits—if insured is without other financial ability to pay, and this is mostly the case. We find that corporate interests usually carry sufficient insurance except in instances of catastrophe. Our recent experience indicates that producers are providing higher limits of insurance than ever before. Limits that were rare not very long ago are now very common-place.

* * *

I cannot find evidence that liability underinsurance exists. As to the liability other than automobile, it is rare for us to be faced with a situation where the coverage is insufficient, and this almost never happens on commercial risks.

As to automobile liability, we do from time to time have apparent evidence of underinsurance. But in the course of the past year these cases could be counted on 10 fingers. I say "apparent" underinsurance because the matter usually arises by reason of a claimant seeking extravagant damages. When he finds out, as invariably he does, what the amount of coverage available actually is, the demands are generally modified. We estimate that the company writes automobile insurance on about one million vehicles, and to have only 10 such cases in a year seems to support the belief that there is no significant degree of underinsurance.

The company for 30 years constantly has preached the doctrine of the advisability of high limits coverage, and this may account for the almost complete absence of underinsurance with us.

* * *

Still another underwriting executive states that there is no question but that liability underinsurance has played a part in isolated cases. But the problem lies in attempting to identify such cases. "However, I am sure that the property field is not the only field affected by underinsurance, and that the liability field is also."



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